

**REPORT ON RESULTS OF MONITORING THE
ROMANIAN ELECTRICITY MARKET
FEBRUARY 2012**

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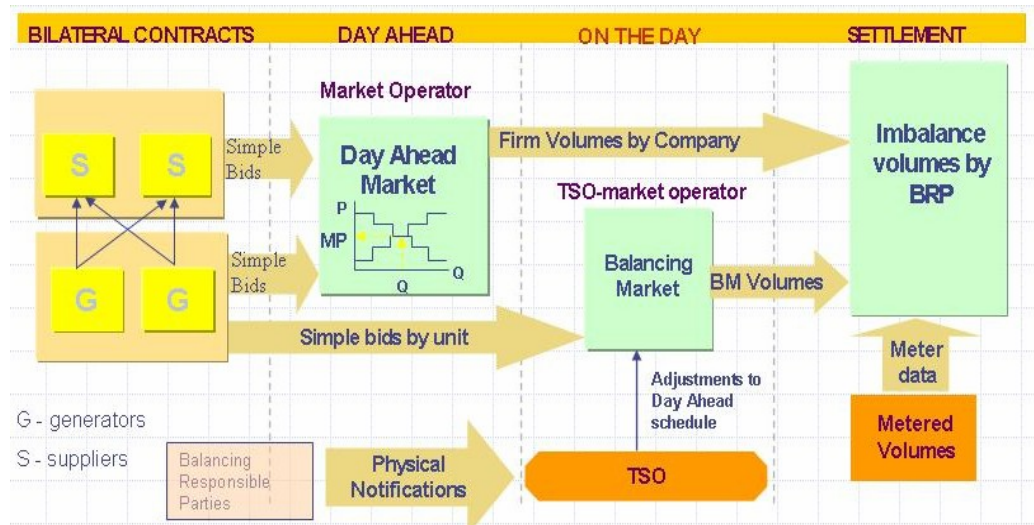
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I. MAIN EVENTS IN THE DEVELOPMENT OF THE ROMANIAN ELECTRICITY MARKET

- GD 365/1998 – vertically integrated monopol – RENEL – was split in. Separated distribution and supply companies (SC Electrica SA) and generation companies (SC Termoelectrica SA and SC Hidroelectrica SA) were established within a new company - CONEL SA. Two other electricity generators (SN Nuclearelectrica SA and RAAN) were separately established;
- transmission, system services and market administration were separately organised, within CONEL SA;
- the relationships between parties within the electricity sector were settled based on contracts;
- GD 122/2000 – electricity market opens at 10%;
- GD 627/2000 – CONEL holding is dissolved;
- September 2000 – launch of the compulsory electricity spot market in Romania, administrated by OPCOM and organized based on pool model;
- GD 1342/2001 – SC Electrica SA splits in 8 subsidiaries for electricity distribution and supply;
- GD 1524/2002 – SC Termoelectrica SA reorganizes in several separate legal entities for generation;
- July 2005 – launch of the new market model, based on:
 - voluntary spot market, with both sides offers and bilateral settlement;
 - compulsory balancing market, with TSO as single counterparty;
 - financial responsibilities of the balancing are allocated to the BRP;
- GD 644/2005 – electricity market opens at 83.5%;
- November 2005 – launch of the green certificates market;
- December 2005 – launch of the centralized market for bilateral contracts;
- March 2007 – launch of the centralized market for partially standardized bilateral contracts with continuous negotiation;
- GD 638/2007 – fully opening of electricity and gas markets;
- July 2007 – rules for capacity market have been established.
- July 2008 – launch of the mechanism of direct debit and guarantee for electricity transactions on the day-ahead market (OPCOM as central counterparty).
- August 2008 – process of legal unbundling of distribution and supply companies has been concluded;
- August/October 2010 – launch of bilateral coordinated auctions for capacity allocation on interconnections with Hungary and Bulgaria;
- July 2011 - launch of the intraday market.

II. WHOLESALE ELECTRICITY MARKET

1. Structure of the wholesale electricity market



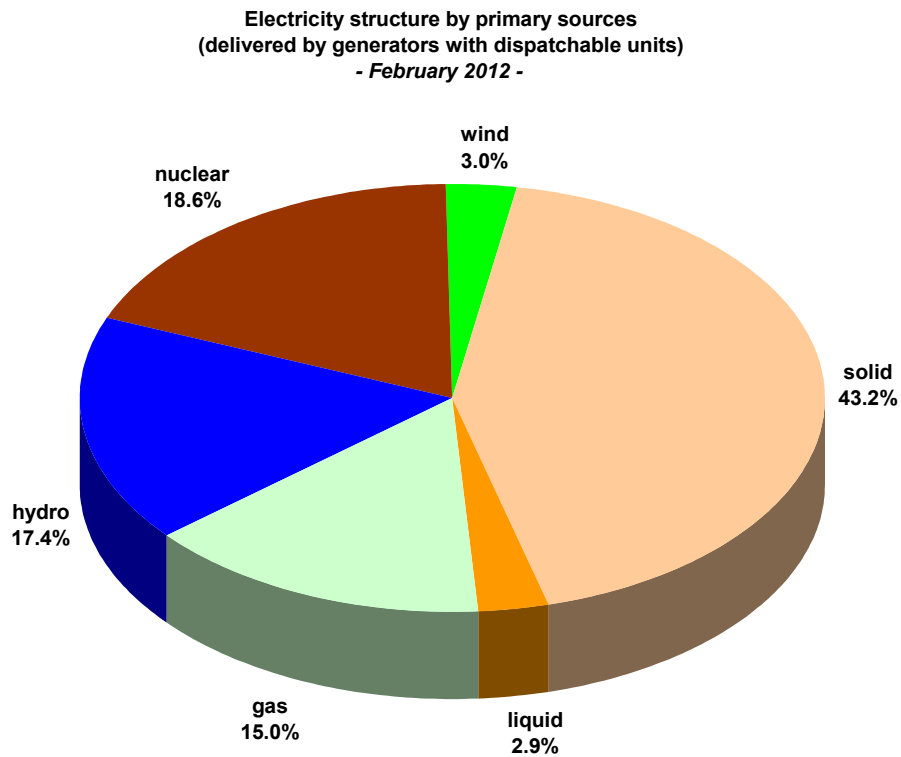
2. Participants on the wholesale electricity market

The market participants* acting on the electricity market in February 2012 are presented below split into categories:

No.	Name	No.	Name	No.	Name		
A Electricity generators operating dispatching units							
1	SC CET Bacău SA	F Electricity Suppliers acting exclusively on the wholesale market					
2	SC CET Govora SA	1	SC Adedero G.P. Energy SRL	G Electricity Suppliers			
3	MUNICIPAL IASI	2	Alpiq Energy SE	1	SC Alpiq RomEnergie SRL		
4	SC CET Oradea SA	3	SC BIT-REEN SRL	2	SC Alpiq RomIndustries SRL		
5	SC Cernavoda Power SRL	4	CEZ as	3	SC Arcelormittal Galati SA		
6	SC Dalkia Termo Prahova SRL	5	SC CEZ Trade Romania SRL	4	SC Arelco Distributie SRL		
7	SC EDP Renewables România SRL	6	SC Dalkia Romania SRL	5	SC Beny Alex SRL		
8	SC Electrocentrale București SA	7	Danske Commodities/s Aarhus	6	SC Biol Energy SRL		
9	SC Electrocentrale Galați SA	8	E&T ENERGIE Handelsgesellschaft	7	SC EFE Energy SRL		
10	SC Electrocentrale Paroseni SA	9	SC Edison Trading SpA	8	SC EGL Gas & Power Romania SA		
11	SC Enel Green SRL	10	SC Enel Trade Romania SRL	9	SC Electrica SA		
12	SC Lukoil Energy & Gaz Romania SRL	11	Energy Financing Team Switzerland	10	SC Electricom SA		
13	SC Romconstruct Top SRL	12	SC Energy Market Consulting SRL	11	SC Electromagnetica SA		
14	SC Termica SA Suceava	13	SC Energy Network SRL	12	SC Energotrans SRL		
15	SC Termoelectrica SA	14	SC Energon Power&Gaz SRL	13	SC Energy Distribution Services SRL		
16	SC Tomis Team SRL	15	E.ON Energy Trading SE	14	SC Energy Financing Team Romania SRL		
A1 Electricity generators operating dispatching units and acting also as suppliers on the competitive							
17	RAAN	16	SC Ezpada SRL	15	SC Energy Holding SRL		
18	SN Nuclearrelectrica SA	17	Ezpada SRO	16	SC Enex SRL		
19	SC OMV Petrom SA	18	Gazprom Marketing & Trading	17	SC Ennet Grnp SRL		
20	SC CE Craiova SA	19	GEN-I trgovanje in prodaja elektricne energije	18	SC Enol Grup SA		
21	SC CE Rovinari SA	20	GEN-I Bukarest Electricity Trading and Sales	19	SC EURO-PEC SA		
22	SC CE Turceni SA	21	SC Getica 98 COM SRL	20	SC Fidelis Energy SRL		
23	SC CET Arad SA	22	SC Grivco SA	21	SC GDF SUEZ Energy Romania SA		
24	SC Electrocentrale Deva SA	23	SC Grupul de Comerț și Investiții SRL	22	SC General Com Invest SRL		
25	SC Hidroelectrica SA	24	SC Invest Dinamic Project SRL	23	SC Hidroconstructia SA		
26	SC OMV Petrom Power Park SRL	25	SC KBS Threenergyes SRL	24	SC ICCO Energ SRL		
B Transmission System Operator							
1	CN TRANSELECTRICA SA	26	Korlea Invest as	25	ILIJOTOMI Impex GRPA		
C DAM, Bilateral Contracts Market, Green Certificates Market Operator							
1	SC OPCOM SA	27	SC Korlea Invest SRL	26	SC ICPE Electrocond Technologies SA		
D Distribution network operators							
1	SC CEZ Distributie SA	28	SC Lord Energy SRL	27	SC Luxten LC SA		
2	SC ENEL Distributie Banat SA	29	SC Midest Energy SRL	28	Magyar Aramszolgaltato KFT		
3	SC ENEL Distributie Dobrogea SA	30	MVM Partner Bucharest	29	SC Monsson Energy Trading SRL		
4	SC E.ON Moldova Distributie SA	31	OMV Trading GmbH	30	OET Obedineni Energinii Targovtisi		
5	SC ENEL Distributie Muntenia SA	32	RWE Supply Trading GmbH	31	SC Petprod SRL		
6	SC FDEE Electrica Distributie Muntenia Nord SA	33	Repower Trading Ceska Republica	32	SC Romenergy Industry SRL		
7	SC FDEE Electrica Distributie Transilvania Sud SA	34	SC Repower Vanzari Romania SRL	33	SC Renovation Trading SRL		
8	SC FDEE Electrica Distributie Transilvania Nord SA	35	SC Romelectro SA	34	SC Repower Furnizare Romania SRL		
E Incumbent suppliers							
1	SC CEZ Vanzare SA	36	SC Rudnap SRL	35	SC TEN Transilvania Energie SRL		
2	SC ENEL Energie SA	37	Statkraft Markets GmbH	36	SC Timnar Ind SA		
3	SC E.ON Energie Romania SA	38	SC Statkraft Romania SRL	37	SC Transformer Supply SRL		
4	SC ENEL Energie Muntenia SA	39	SC Verbund Trading România SRL	38	SC Transenergo Com SA		
5	SC FFEE Electrica Furnizare SA			39	SC UCM Energy SRL		

*) The electricity market participants report to ANRE technical/commercial data according to the *Methodology of wholesale electricity market monitoring for assessing the competition level on market and preventing the abuse of dominant position*, approved by ANRE Order no. 35/2006. The table does not include the Balancing Responsible Parties (BRP). The BRP updated list is published on the Balancing Market Operator website - www.ope.ro.

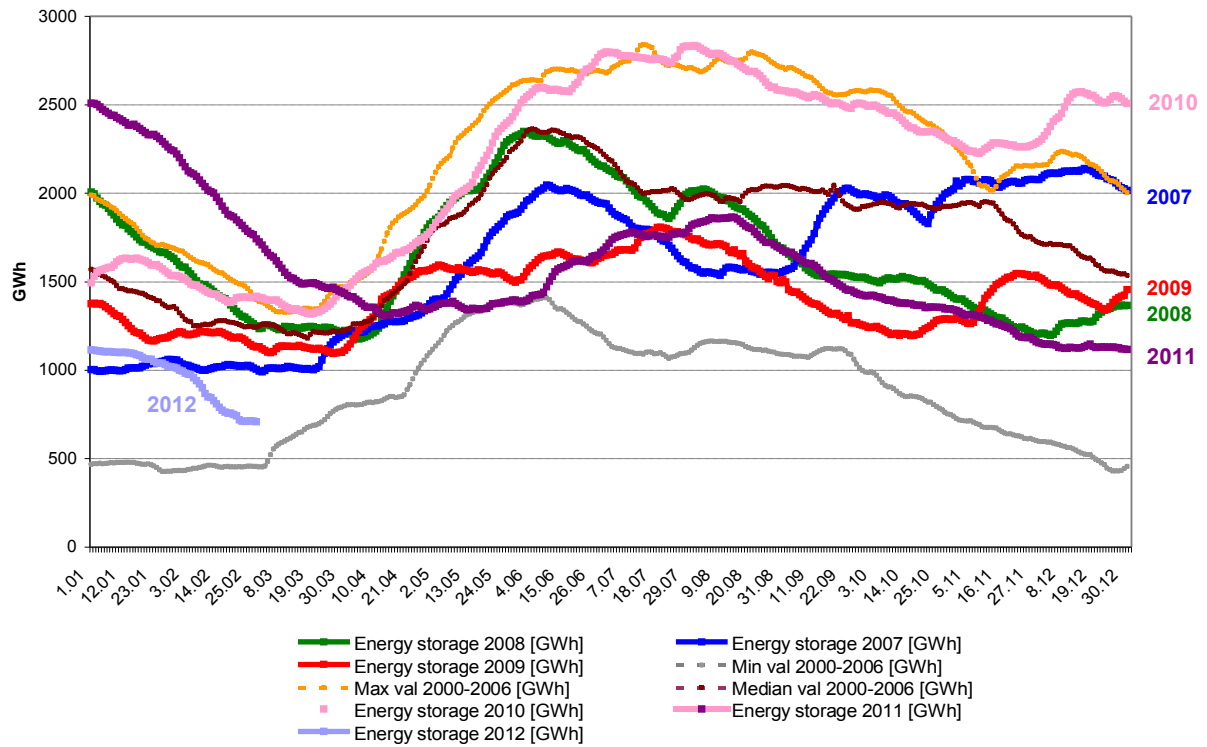
3. *Generation structure of National Energy System on resources types*



Source: *Monthly reports of generators – processed by MG*

The electricity generated from hydro resources and the energy stored in the main water reservoirs are directly correlated. The following graph presents the evolution of daily amounts of energy storage during the last 4 years and compared to minimum, maximum and median values from 2000-2006.

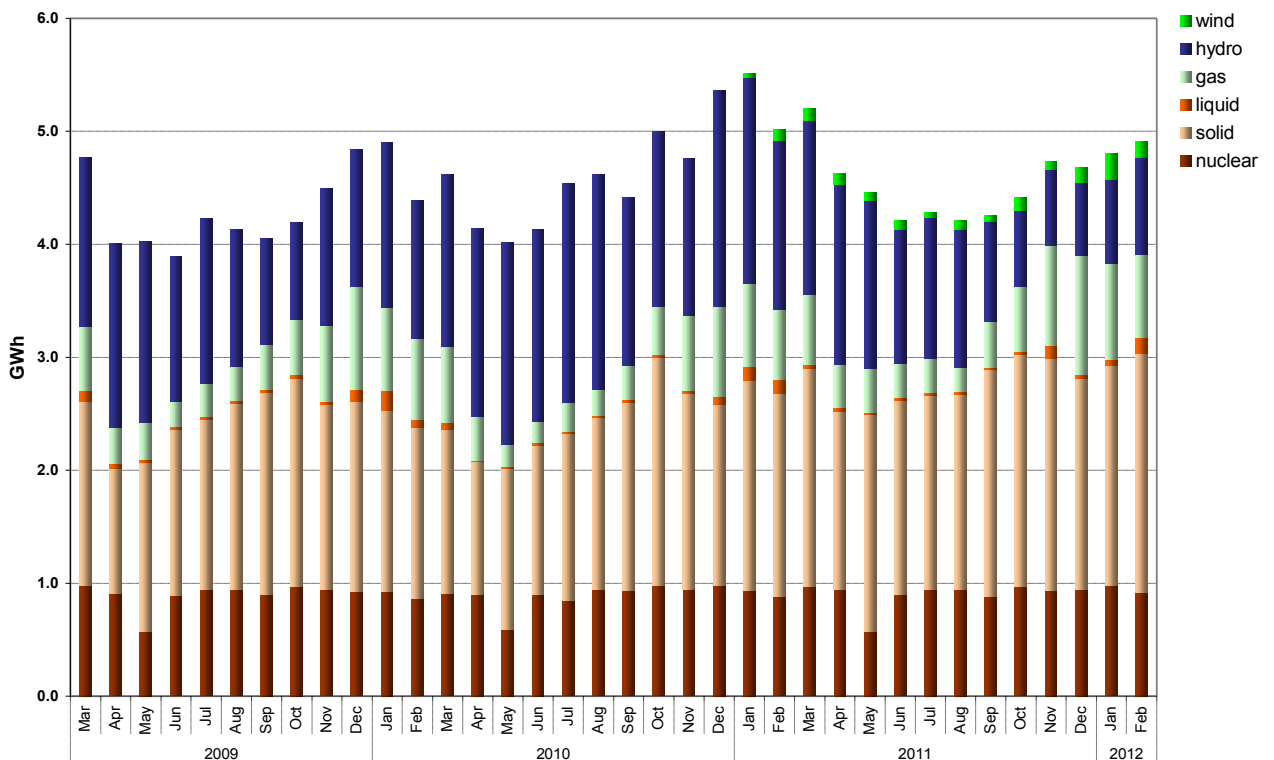
Yearly evolution of daily values of energy stored in the main water reservoirs



Source: Monthly reports of S.C. Hidroelectrica S.A. – processed by MG

The evolution of delivered electricity structure, during the last 3 years, is the following:

Evolution of electricity delivered by generators with dispatchable units by primary sources



Source: Monthly reports of generators – processed by MG

The following table presents the main data regarding the physical balance of electricity for February 2012 compared to data for similar period of 2011:

No.	Indicator	MU	Feb 2011	Feb 2012	%	Jan-Feb 2011	Jan-Feb 2011	%
0	1	2	3	4	$5=4/3*100$	6	7	$8=7/6*100$
1	Generated electricity	TWh	5.44	5.39	99.08	11.43	10.67	93.35
2	Delivered electricity	TWh	5.02	4.91	97.81	10.54	9.72	92.22
3	Import	TWh	0.04	0.10	250.00	0.11	0.25	227.27
4	Export	TWh	0.41	0.16	39.02	0.96	0.27	28.13
5	Internal consumption	TWh	4.65	4.85	104.30	9.68	9.70	100.21
6	Consumption of household consumers on the regulated market	TWh	0.98	1.06	108.16	2.06	2.14	103.88
7	Consumption of non-households consumption	TWh	2.79	2.83	101.43	5.70	5.69	99.82
7.1	<i>on the regulated market</i>	TWh	0.77	0.79	102.60	1.62	1.58	97.53
7.2	<i>on the competitive market</i>	TWh	2.02	2.04	100.99	4.08	4.11	100.74
8	Transmission–Injection component	TWh	4.93	4.95	100.41	10.35	9.87	95.36
9	Transmission–Extraction component	TWh	5.02	5.00	99.60	10.52	9.96	94.68
10	Actual transmission grid losses	TWh	0.0922	0.0925	100.33	0.1807	0.1799	99.56
11	Heat generated for delivery	Tcal	2449.17	2660.88	108.64	5146.64	5167.02	100.40
12	Heat in co-generation	Tcal	2062.92	2237.84	108.48	4352.58	4485.59	103.06

Note: 1. Data shown in the table neither include the energy produced by the generators who do not own dispatchable units (positions 1 & 2) nor the energy delivered to the consumers directly connected to the power plants (positions 6 & 7).

2. The imported/exported quantities do not comprise transits and cross border exchange of CN Transelectrica SA with neighbor countries in order to ensuring the balance of the national energy system.

3. The electricity considered for transmission tariff – injection component do not comprise the electricity sold by generators for covering the transmission losses.

4. Transactions' structure on the wholesale electricity market

The size of wholesale market depends on the sum of all transactions performed by the market players, exceeding the quantities physically transmitted from generation to consumption; the total transactions include also resale transactions made in order to match the contractual obligations and to obtain financial benefit.

Therefore, the wholesale electricity market includes: regulated contracts and bilateral negotiated contracts between generators and suppliers, regulated contracts for covering the network losses, bilateral negotiated contracts generator-generator and supplier-supplier, as well as contracts concluded on centralized markets: CMBC (centralized market of bilateral contracts), CMBC-CN (centralized market of partially standardised bilateral contracts, with continuous negotiation) and on the Power floor of RCE (Romanian Commodities Exchange), transactions on DAM (day-ahead market), on BM (Balancing Market) and Intraday Market (recently introduced).

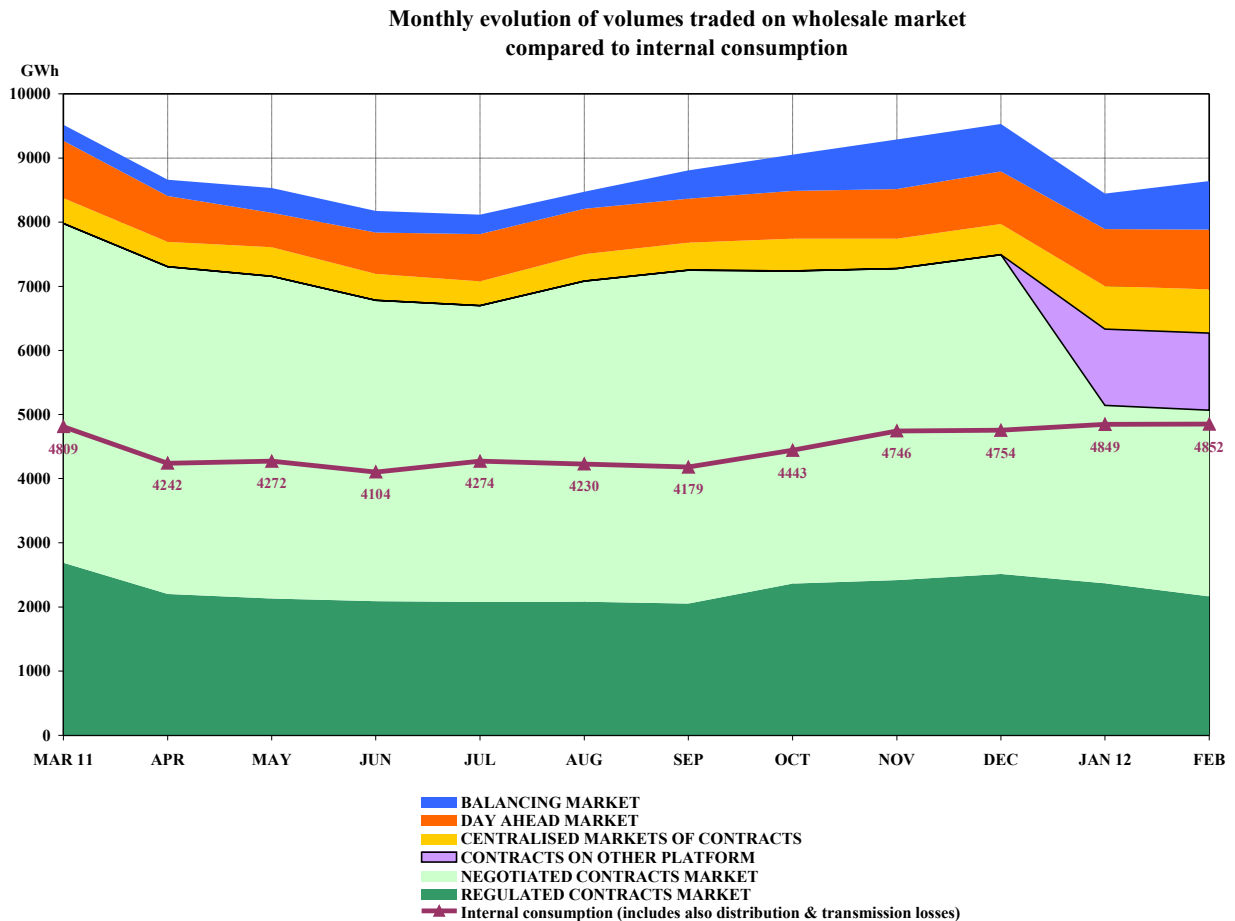
The volumes traded and the average prices on each type of contracts and on the main components of the wholesale market are presented in the following tables for February 2012 compared to the month before and February 2011:

TRANSACTIONS ON THE WHOLESALE MARKET	January 2012	February 2012	February 2011
1. BILATERAL CONTRACTS' MARKET			
traded volume (GWh)	6333	6271	7240
% from internal consumption (%)	193.50	160.37	167.58
average price (lei/MWh)	130.6	129.3	155.7
1.1. Sales on regulated contracts			
traded volume (GWh)	2368	2165	2576
% from internal consumption (%)	164.66	165.42	170.67
average price (lei/MWh)	48.8	44.6	55.4
1.2. Sales on contracts concluded on other platforms *			
traded volume (GWh)	1188	1202	
% from internal consumption (%)	215.70	215.70	N/A
average price (lei/MWh)	24.5	24.5	
1.3. Sales on negotiated contracts**			
traded volume (GWh)	2777	2904	4664
% from internal consumption (%)	208.59	223.00	165.88
average price (lei/MWh)	57.3	59.9	100.3
2. EXPORT***			
traded volume (GWh)	112	158	410
% from internal consumption (%)	228.99	313.47	179.60
average price (lei/MWh)	2.3	3.3	8.8
3. CENTRALISED MARKETS OF CONTRACTS			
traded volume (GWh)	669	679	368
% from internal consumption (%)	215.65	216.51	160.98
average price (lei/MWh)	13.8	14.0	7.9
4. DAY AHEAD MARKET			
traded volume (GWh)	889	936	778
% from internal consumption (%)	239.64	303.97	194.09
average price (lei/MWh)	18.3	19.3	16.7
5. INTRADAY MARKET			
traded volume (GWh)	0.589	2.358	
% from internal consumption (%)	305.40	326.31	N/A
average price (lei/MWh)	0.009	0.049	
6. BALANCING MARKET			
traded volume (GWh)	552	751	212
% from internal consumption (%)	11.4	15.5	4.6
upward volume (GWh)	435	673	149
average negative imbalance price(lei/MWh)	331.08	388.45	255.78
downward volume (GWh)	117	78	63
average positive imbalance price (lei/MWh)	49.32	90.77	36.59
INTERNAL CONSUMPTION (includes distribution and transmission losses) (GWh)	4849	4852	4650

<i>Note:</i>	*	After a large consultation process with market participants, starting with January 2012, the contracts concluded on other platforms (such as ICAP, TFS) have been separately identified; before this, these volumes had been comprised within negotiated contracts
	**	Supply contracts to consumers and export contracts are not included; volumes traded on negotiated contracts do not include the quantities resulted from the processing contracts concluded between the fuel suppliers and the generators, as this activity is not subject of ANRE regulations and not comprised within the market participants' reports
	***	Export volumes correspond to the quantities for which CN Transelectrica SA applied extraction component of transmission tariff for export, which in some cases are different to those reported as traded by participants

The percentage of electricity quantities from the internal consumption (see table from above) offers a dimensional reference for each of the specified markets. Prices include only the injection component of the transmission tariff, in this way being comparable within a month and making possible the comparison with the previous month.

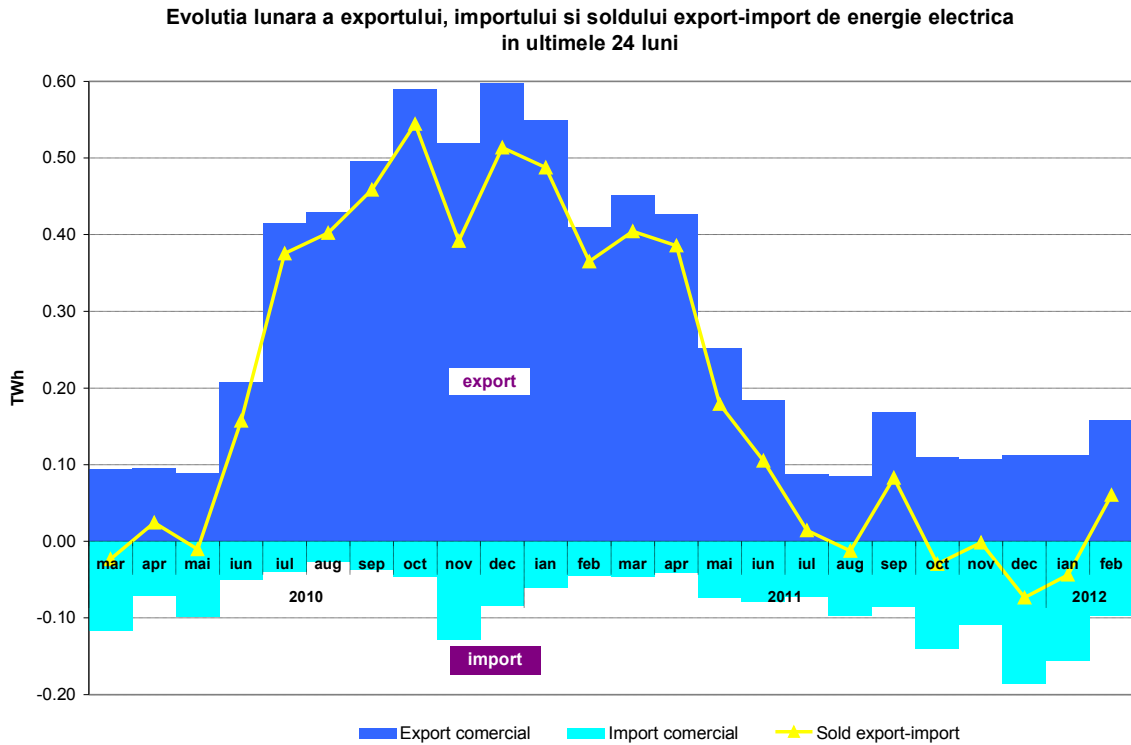
The evolution of the relation between the volumes sold on each market and the estimated internal consumption. During March 2011 – February 2012, is presented below:



Source: Monthly reports of wholesale market participants. SC Opcom SA and CN Transelectrica SA – processed by MG

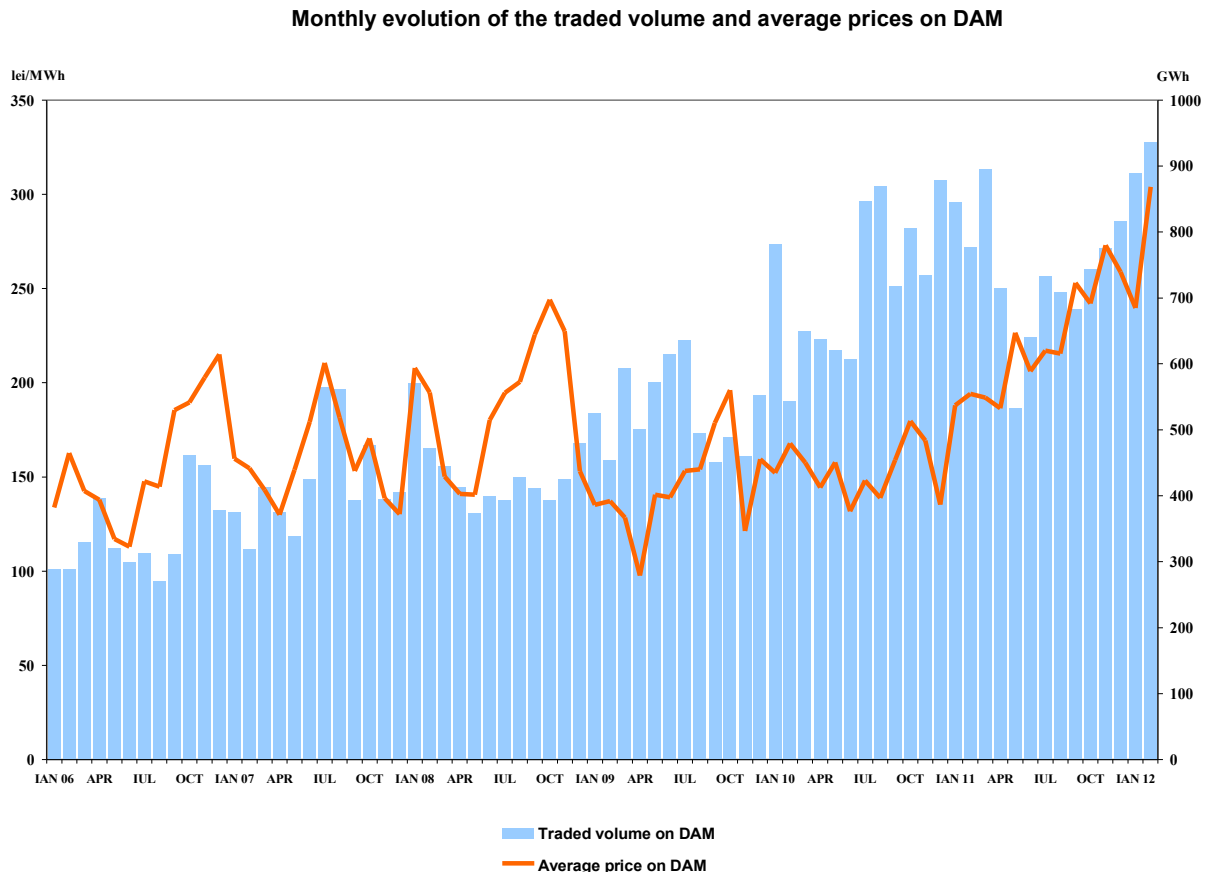
Note: In the above graph, the volumes traded on negotiated contracts' market do not include the export trades

The following graph represents the monthly values of commercial export (quantities for which the extraction component of transmission tariff was applied), commercial import (quantities for which the injection component of transmission tariff was applied) and the net export (export minus import) in the last 24 months:



Source: Monthly reports of CN Transelectrica SA – processed by MG

The following graph presents the volumes and the monthly average prices on DAM starting with January 2006.



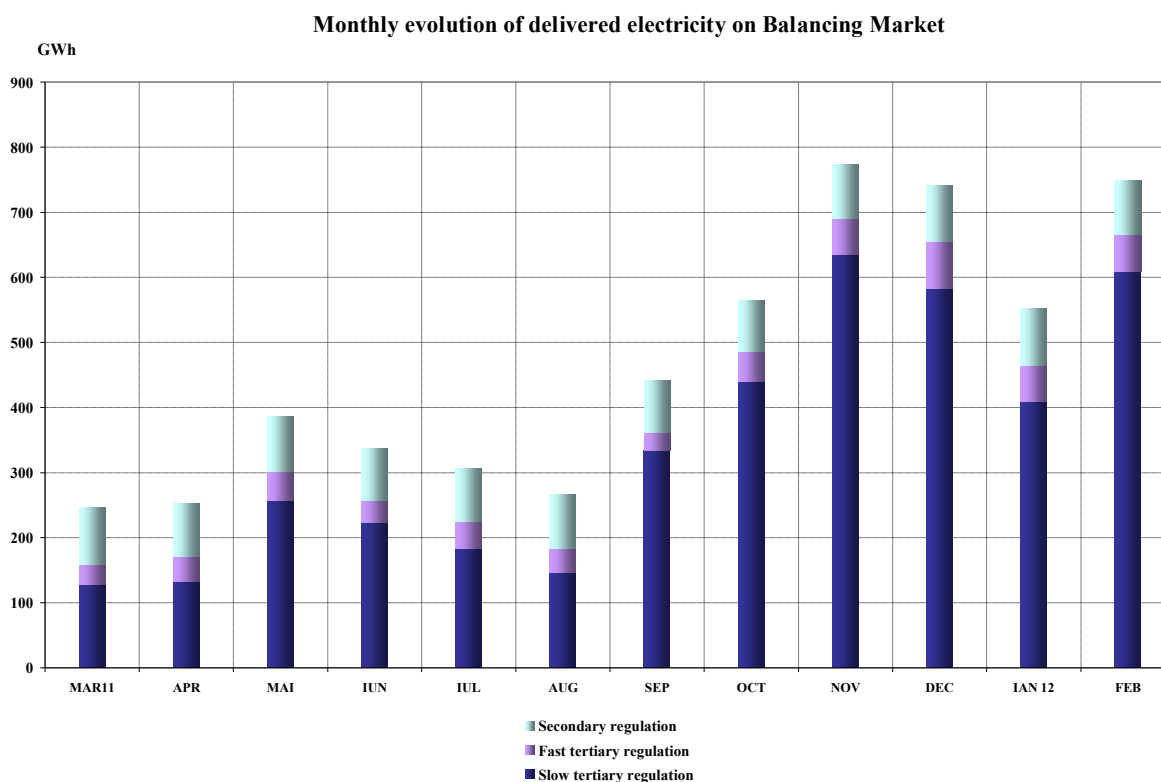
Source: Monthly reports of SC Opcom SA and CN Transelectrica SA – processed by MG

Balancing electricity is determined by the dispatch orders (accepted offers) received by generators. After settlement, the actual electricity delivered by generators on balancing market is determined based on the measured (approved) values; the relation between the accepted and delivered electricity in February 2012 is presented in the following table:

February 2012	Dispatch order (GWh)	Delivered electricity (GWh)	Deviation (%)
Secondary regulation	84	84	
<i>upward</i>	39	39	
<i>downward</i>	45	45	
Fast tertiary regulation	62	58	6
<i>upward</i>	49	47	3
<i>downward</i>	13	10	20
Slow tertiary regulation	630	609	3
<i>upward</i>	603	587	3
<i>downward</i>	27	22	20
TOTAL	776	750	
<i>upward</i>	690	673	
<i>downward</i>	85	78	
INTERNAL CONSUMPTION		4852	
<i>% share of traded volumes from internal consumption</i>		<i>15.5%</i>	

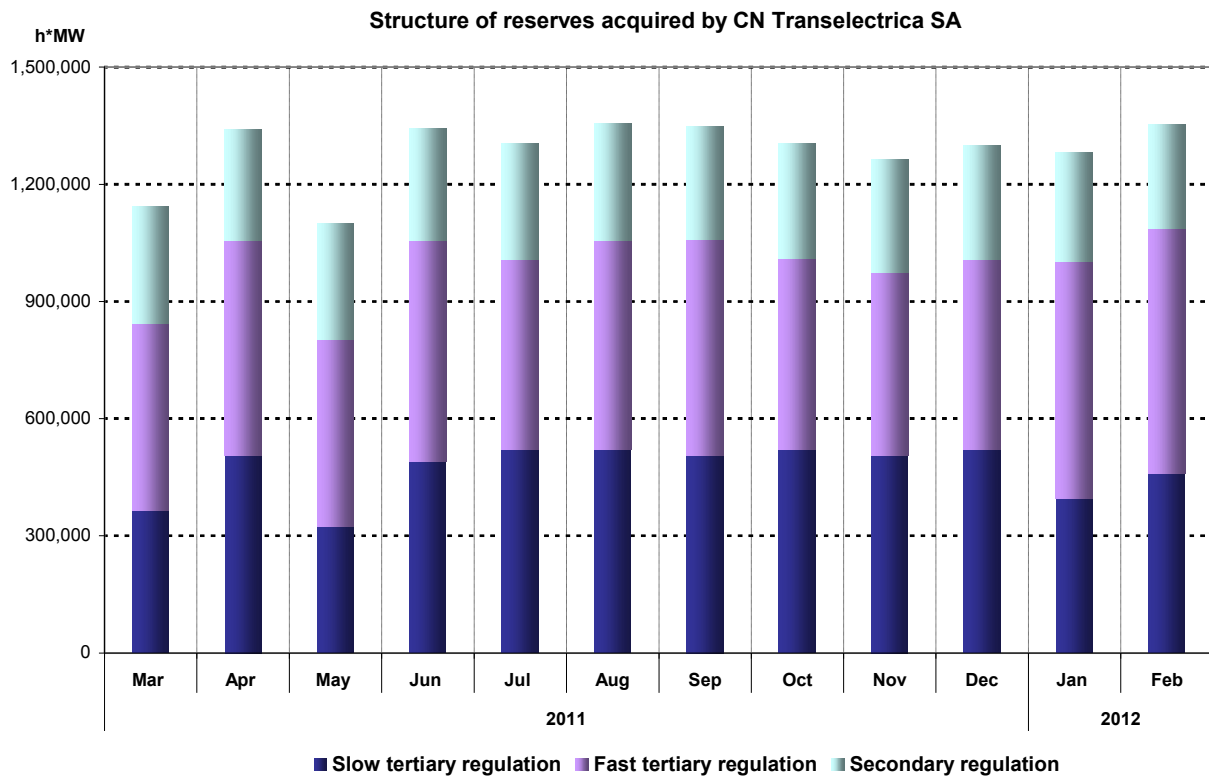
Source: Monthly reports of CN Transelectrica SA – processed by MG

The structure of balancing electricity delivered in the system on each type of regulation starting from March 2011 is presented in the graph below:



Source: Monthly reports of CN Transelectrica SA – processed by MG

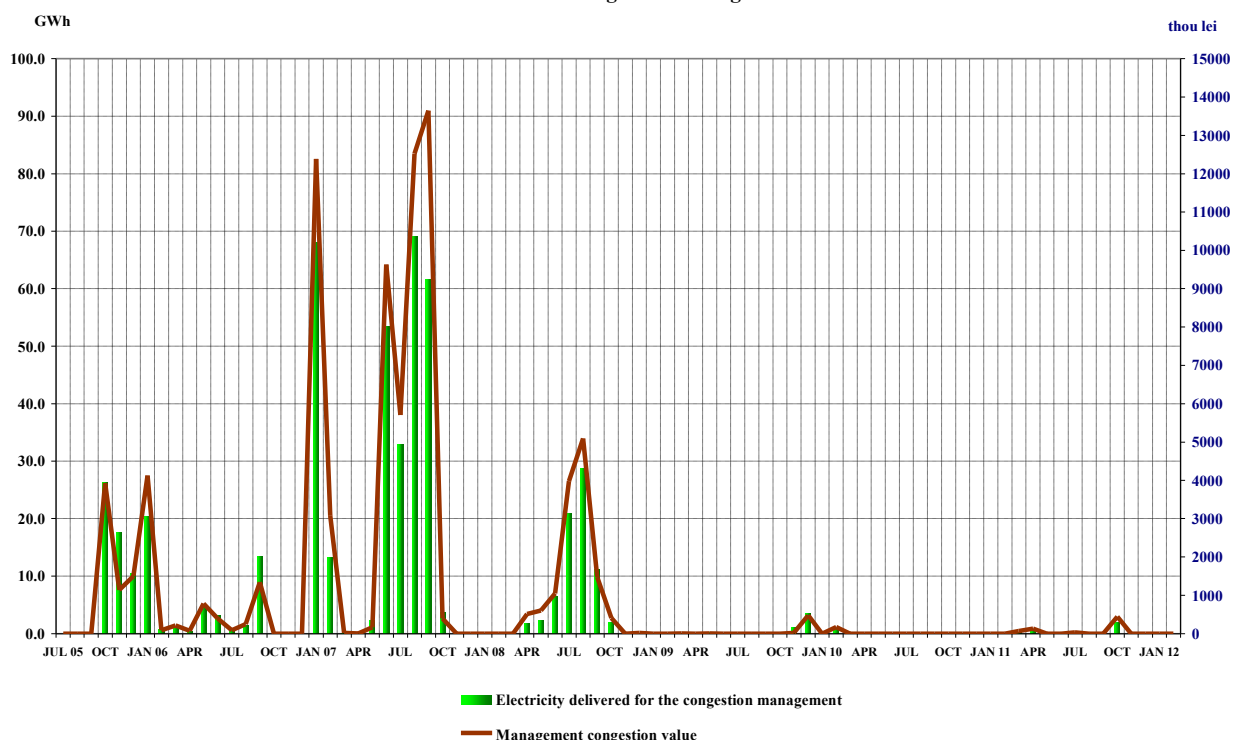
For comparison, the following graph presents the evolution of reserves (ancillary services, i.e. obligations of generators to maintain their contracted capacities available for dispatching/offering on BM) acquired/paid by CN Traselectrica SA starting with March 2011:



Source: Monthly reports of CN Traselectrica SA – processed by MG

The following graph presents the evolution of electricity traded by CN Traselectrica SA on the Balancing Market for covering the electricity used for congestion management (in order to solve the congestions occurred within the transmission grid) and the evolution of the values of these transactions starting with July 2005.

**Monthly evolution of the volume and value of the electricity delivered
for the congestion management**



Source: Monthly reports of CN Transelectrica SA – processed by MG

5. Trading structure on the wholesale electricity market of different participant categories

Generators

The structure of electricity sales obligations contracted before delivery day by the electricity generators with dispatchable units in February 2012 compared to previous month and January 2011 was the following:

Transaction type	- GWh -		
	January 2011	February 2012	February 2011
0	1	2	3
Regulated to incumbents. thermal generators	1005.03	911.50	1087.83
Regulated to incumbents. hydro generator	114.97	114.67	250.20
Regulated to incumbents. nuclear generator	524.73	492.15	432.61
Regulated for distribution losses. thermal generators	383.22	335.86	359.16
Regulated for distribution losses. hydro generator	60.62	54.37	87.64
Regulated for distribution losses. nuclear generator	190.26	173.81	129.01
Regulated for transmission losses. thermal generator	76.99	64.81	67.83
Regulated to other generators (with return of obligation within a year)	11.94	17.68	161.47
Negotiated to other generators	2.85	1.85	102.36
Negotiated. to suppliers	754.45	720.42	1276.71
Contracts concluded on centralized markets (CMBC. CMBC-NC, RCE)	668.59	679.04	367.91
Supply to consumers (regulated and competitive)	284.90	318.78	291.89
Export	32.18	12.74	129.66
DAM	451.66	556.11	514.32
Total	4562.38	4453.79	5258.62

Source: Monthly reports of generators – processed by MG

Suppliers

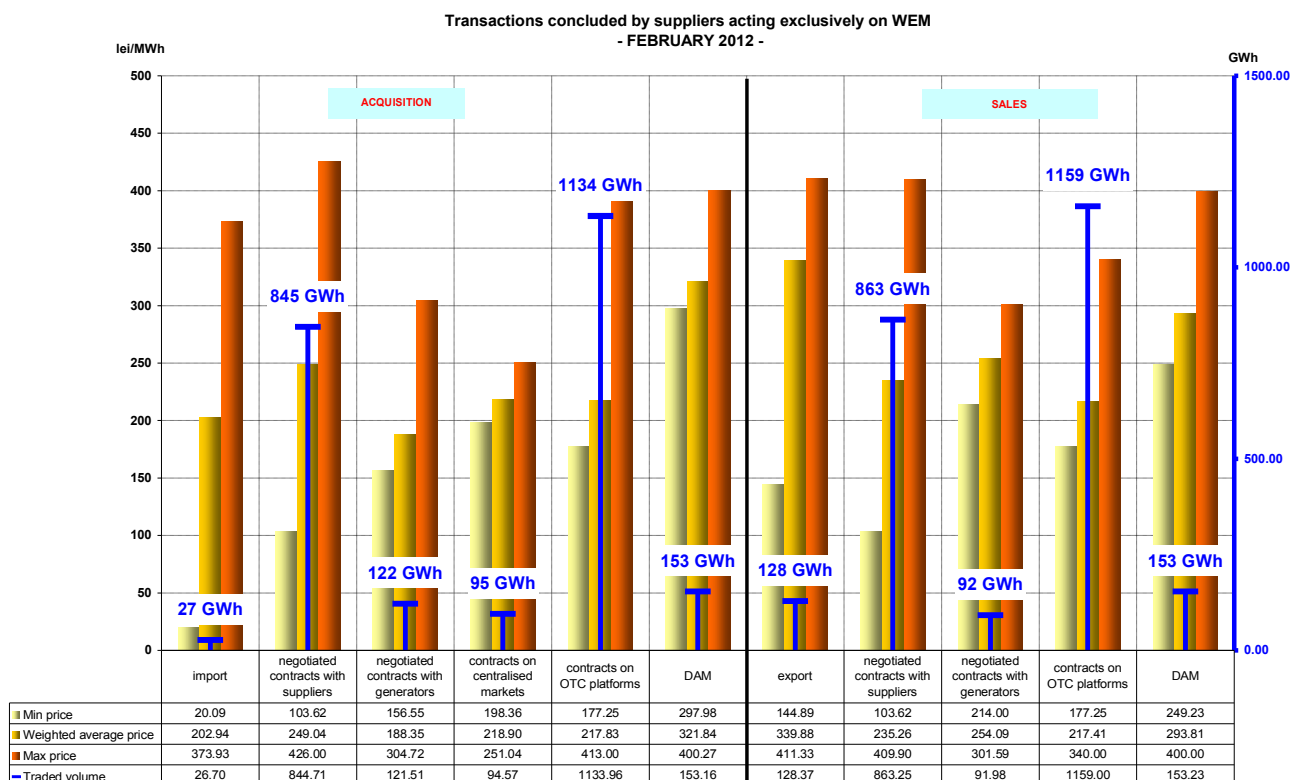
In February 2012, 83 companies having as main activity the supply of electricity concluded transactions on the electricity market; from these, 39 suppliers traded electricity exclusively on the wholesale market and 44 suppliers on both retail and wholesale markets (in this category are also included the 5 incumbent suppliers).

Suppliers acting exclusively on WEM

The following table shows the activity for February 2012 compared to February 2011 of the suppliers acting exclusively on WEM, acquisitions and sales being split by categories of markets/participants:

- GWh -		
Transactions' structure of suppliers acting exclusively on WEM	February 2011	February 2012
Acquisitions		
Import	5.31	26.70
Negotiated contracts with suppliers	1950.28	844.71
Negotiated contracts with generators	81.45	121.51
Contracts concluded on centralized markets	5.36	94.57
Contracts on OTC platforms	-	1133.96
DAM	90.48	153.16
Sales		
Export	251.24	128.37
Negotiated contracts with suppliers	1753.60	863.25
Negotiated contracts with generators	26.88	91.98
Contracts on OTC platforms	-	1159.00
DAM	152.17	153.23

In addition to the data from the table above, the following graph presents the minimum, average and maximum actual prices by categories of transactions completed by the suppliers acting exclusively on WEM (traders) in February 2012:



Source: Monthly reports of the competitive suppliers – processed by MG

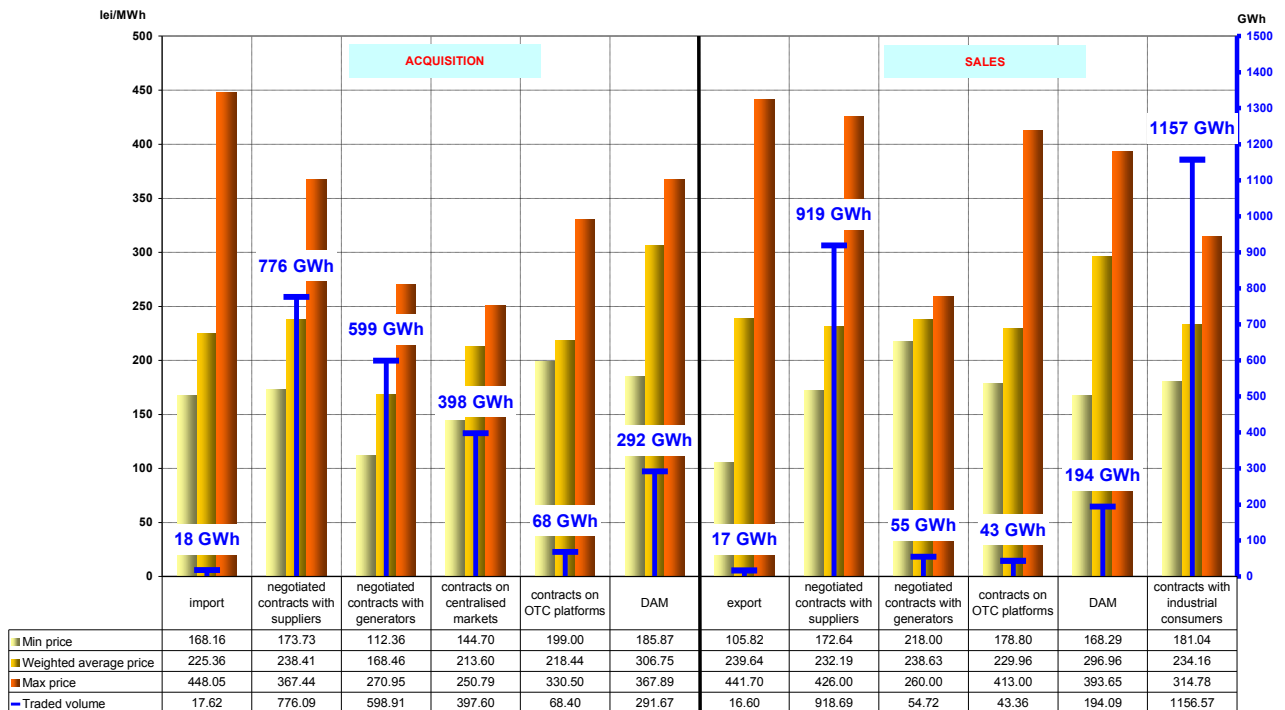
Active suppliers on REM (the incumbent suppliers are not included)

The following table presents aggregated information on transactions volume and structure for suppliers providing electricity to final consumers. on the competitive market, for February 2012 and February 2011.

Transactions' structure of suppliers providing electricity to final consumers (the incumbent suppliers are not included)	- GWh -	
	February 2011	February 2012
Acquisitions		
Import	4.24	17.62
Negotiated contracts with suppliers	814.89	776.09
Negotiated contracts with generators	1195.26	598.91
Contracts concluded on centralized markets	308.79	397.60
Contracts on OTC platforms	-	68.40
DAM	459.85	291.67
Sales		
Export	28.50	16.60
Negotiated contracts with suppliers	1335.77	918.69
Negotiated contracts with generators	118.59	54.72
Contracts on OTC platforms	-	43.36
DAM	62.68	194.09
Contracts with industrial consumers	1314.46	1156.57

In addition to the data from the table above, the following graph presents the sales structure and the minimum, average and maximum actual prices by categories of transactions completed by suppliers providing electricity to final consumers in February 2012:

Transactions concluded by suppliers providing electricity to final consumers
(incumbent suppliers not included)
- FEBRUARY 2012 -



Source: Monthly reports of the competitive suppliers– processed by MG

Incumbent suppliers

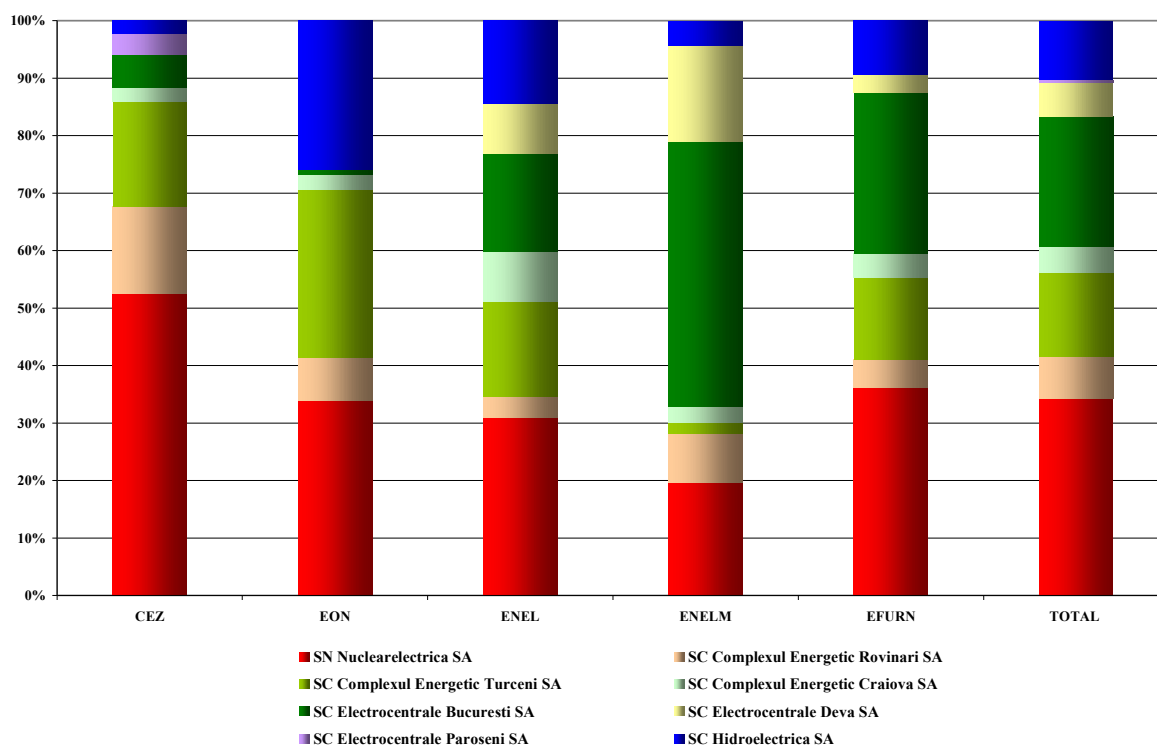
Electricity acquisition structure of incumbent suppliers (before the delivery day), for supplying the regulated market consumers, is presented in the table below, for February 2012 compared to the situation of February 2011:

- GWh -

Acquisition structure of incumbent suppliers for regulated REM component	February 2011	February 2012
Regulated contracts with generators	1828,33	1567,30
Negotiated contracts	12,34	34,34
Contracts concluded on centralized markets	0,00	27,06
DAM	65,41	160,68
Contracts Intra-Day	-	1,21

The structure of the electricity purchased by the incumbent suppliers from the main generators on regulated contracts is presented in the following graph for February 2012:

Electricity acquisition from main generators, on regulated contracts, of incumbent suppliers for delivering electricity to final consumers on regulated market
February 2012



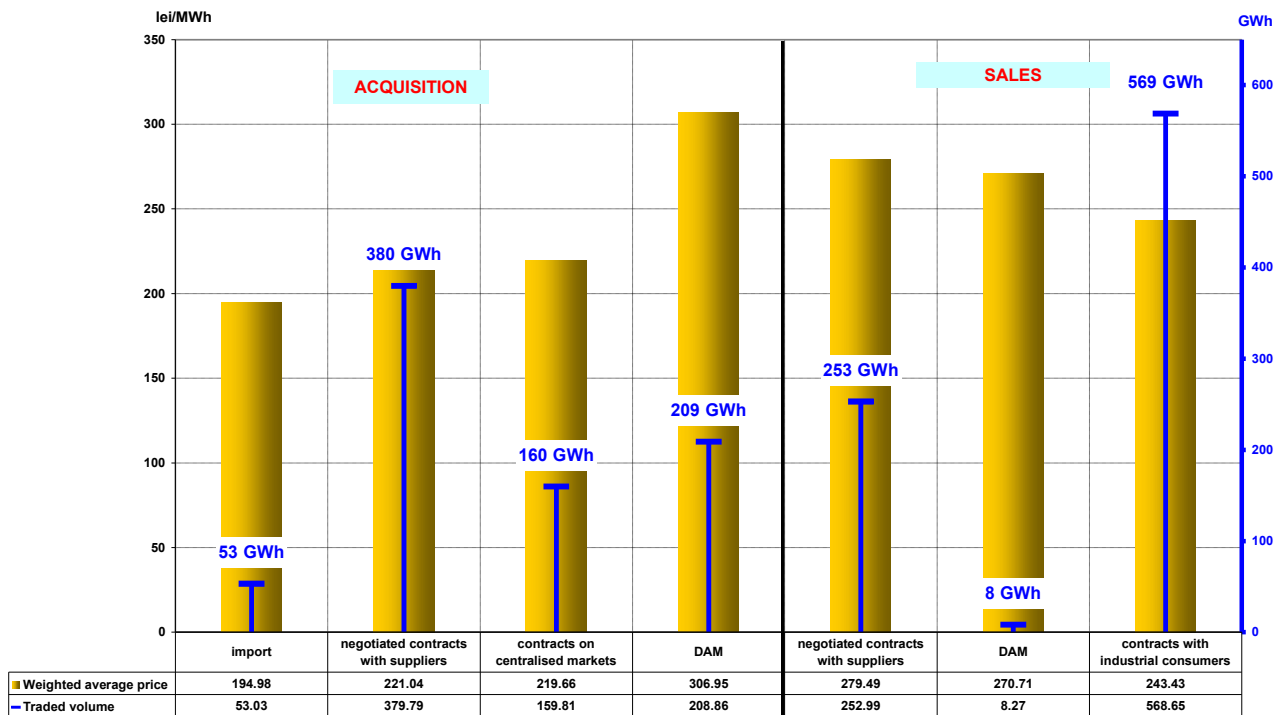
Source: Monthly reports of the incumbent suppliers – processed by MG

Likewise to the situation presented for the regulated REM, the table below presents the structure of incumbent suppliers' transactions (before the delivery day), corresponding to the competitive REM (energy supplied at negotiated prices to the consumers who renounced to regulated tariffs) for February 2012 compared to February 2011:

Transactions' structure of incumbent suppliers for competitive REM component	- GWh -	
	February 2011	February 2012
Acquisitions		
Import	34,64	53,03
Negotiated contracts with suppliers	361,67	379,79
Contracts concluded on centralized markets	0	159,81
DAM	91,38	208,86
Sales		
Negotiated contracts with suppliers	49,86	252,99
Negotiated contracts with distributors	0,75	0
DAM	42,60	8,27
Final consumers	414,12	568,65

The structure by types of sources/destinations of the traded volumes combined with the actual average prices of the incumbent suppliers corresponding to the competitive segment of REM is presented in the following graph for February 2012:

Transaction concluded by incumbent suppliers providing electricity
on the competitive component of REM
- FEBRUARY 2012 -



Source: Monthly reports of the incumbent suppliers– processed by MG

Main distribution operators

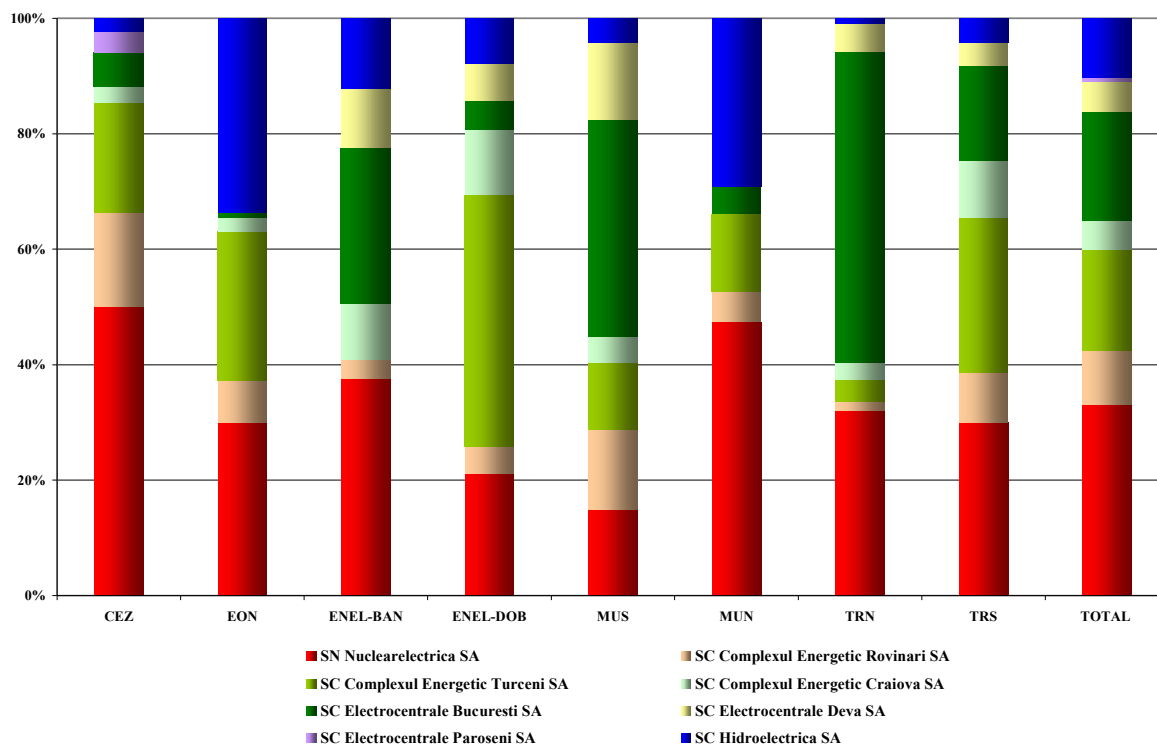
The following table shows the electricity acquisition structure of main distribution operators (before the delivery day), for covering the distribution network losses, for February 2012 compared to February 2011:

- GWh -

Acquisition structure	February 2011	February 2012
Regulated contracts with generators	587.67	570.10
Negotiated contracts with suppliers	0.75	0
DAM	84.60	139.60

The electricity purchased by the 8 distribution operators from the main generators on regulated contracts, for covering their network losses is presented in detail in the following graph, for February 2012:

Electricity acquisition of distribution operators from main generators, on regulated contracts, for covering the distribution losses
February 2011



Source: Monthly reports of the distribution operators – processed by MG

6. Concentration indicators on the wholesale electricity market and its components

According to the economic theory and the EU documents the following market concentration indicators may be defined:

- HHI. Herfindahl-Hirschman Index = sum of square market shares (%) of participants:

The indicator values signify:

HHI < 1000	non-concentrated market;
1000 < HHI < 1800	moderately concentrated market;
HHI > 1800	highly concentrated market.

- C3 = sum of market shares of the main three participants in the market:

The indicator values signify:

40% < C3 < 70%	moderately concentrated market;
C3 > 70%	highly concentrated market.

These concentration indicators may be defined for the wholesale market (electricity market or ancillary services market) or for each of its components where direct competition takes place.

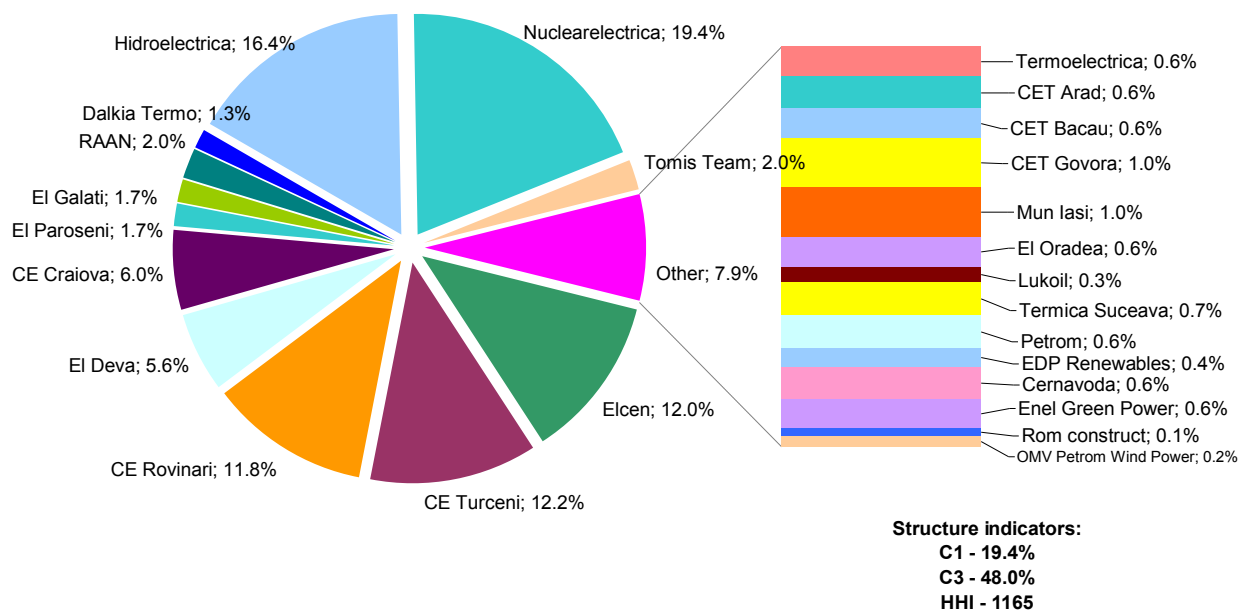
Concentration indicators and market shares of the electricity generators

The market structure regarding the electricity generation offers an initial basis for analyzing the possible competitiveness level of the electricity market.

The following table presents the concentration indicators of electricity generation for February 2012, calculated based on electricity delivered into the networks by the generators with dispatchable units.

The market shares of the electricity generators, taking into account all components of the wholesale electricity market, are presented in the following graph, in February 2012. These market shares are calculated based on the electricity delivered into networks.

**Market shared of generators with dispatchable units by delivered electricity
- January-February 2012 -**



Source: Monthly reports of generators – processed by MG

A component of the WEM where direct competition between generators exists is the Balancing Market (BM). The values of concentration indicators on this market are determined based on effectively delivered electricity, for each type of regulation defined within the Commercial Code, and they are presented in the following table for February 2012:

Structure/concentration indicators of BM - FEBRUARY 2012 -	Regulation					
	Secondary		Fast tertiary		Slow tertiary	
	upward	downward	upward	downward	upward	downward
C1 - % -	52	48	90	52	41	42
C3 - % -	87	86	95	88	90	86
HHI	3392	3047	8076	3527	2953	3023

The competition between generators is also present when speaking about the ensuring the reserves necessary for security of supply in the NES. Due to the fact that generators have different levels of capabilities for ensuring this type of service, this market has an important regulated component. The relationship between regulated and competitive components on the Ancillary Services Market (ASM) as well as the main concentration indicators on each type of reserve (secondary, fast tertiary and slow tertiary) are presented in the following table for February 2012:

Concentration indicators on ASM - February 2012 -		Secondary reserve	Fast tertiary reserve	Slow tertiary reserve
regulated component	contracted quantity (h*MW)	251820	501120	243600
	C1 (%)	48.7	76.0	45.0
	C3 (%)	79.5	86.4	97.8
competitive component	contracted quantity (h*MW)	15660	124730	216108
	C1 (%)	100	98.4	59.6
	C3 (%)	100	100	97.5
	HHI	10000	9680	4722

Concentration Indexes for the Day Ahead Market

Day Ahead Market (DAM) is a voluntary market, opened both for buying and selling for all types of market participants: generators, suppliers, grid operators, under applicable regulations.

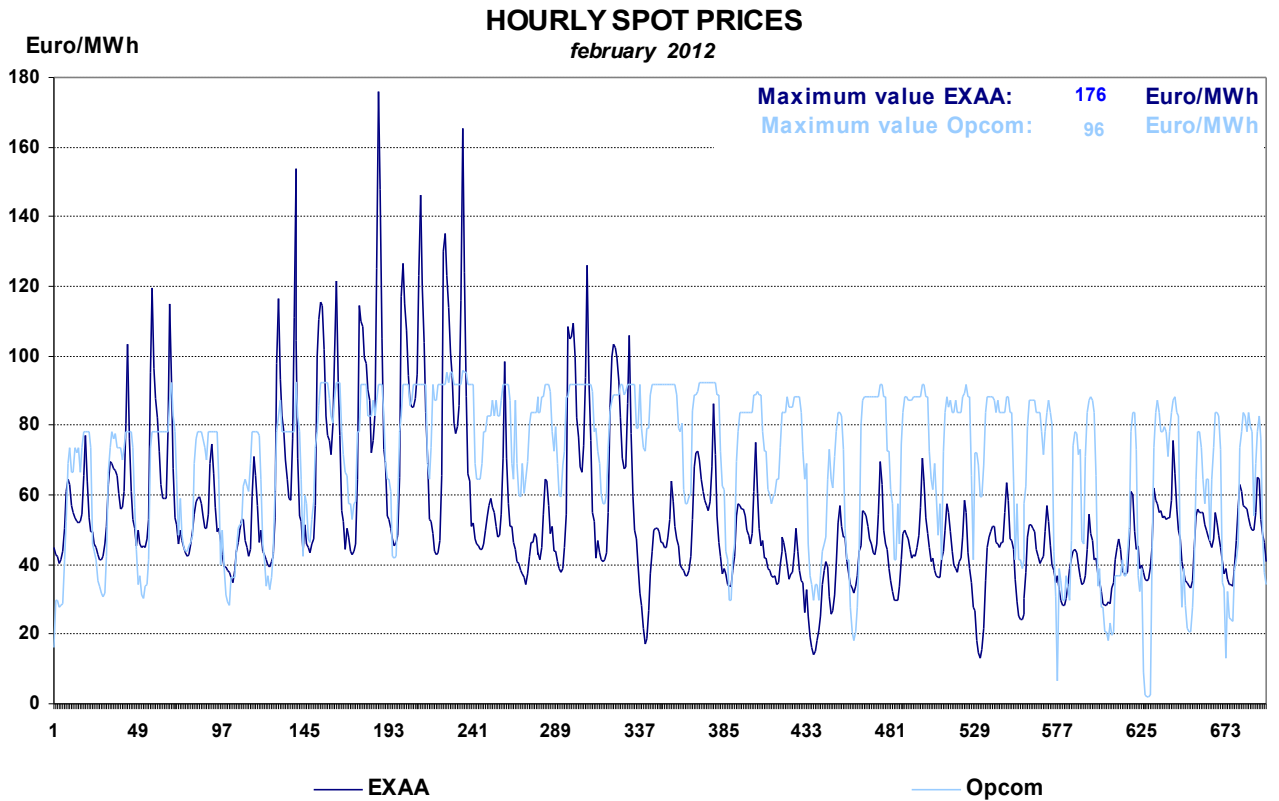
The concentration indicators on DAM reflects the level of competition between sellers and between buyers respectively, the dynamics of both influencing the price level. The following table presents C1, C3 and HHI for buying and for selling side of DAM in February 2012, based on quantities traded by participants on this market.

Concentration indicators on DAM - February 2012 -	C1 (%)	C3 (%)	HHI
Buying transactions	32.21	51.79	1384
Selling transactions	19.51	36.97	726

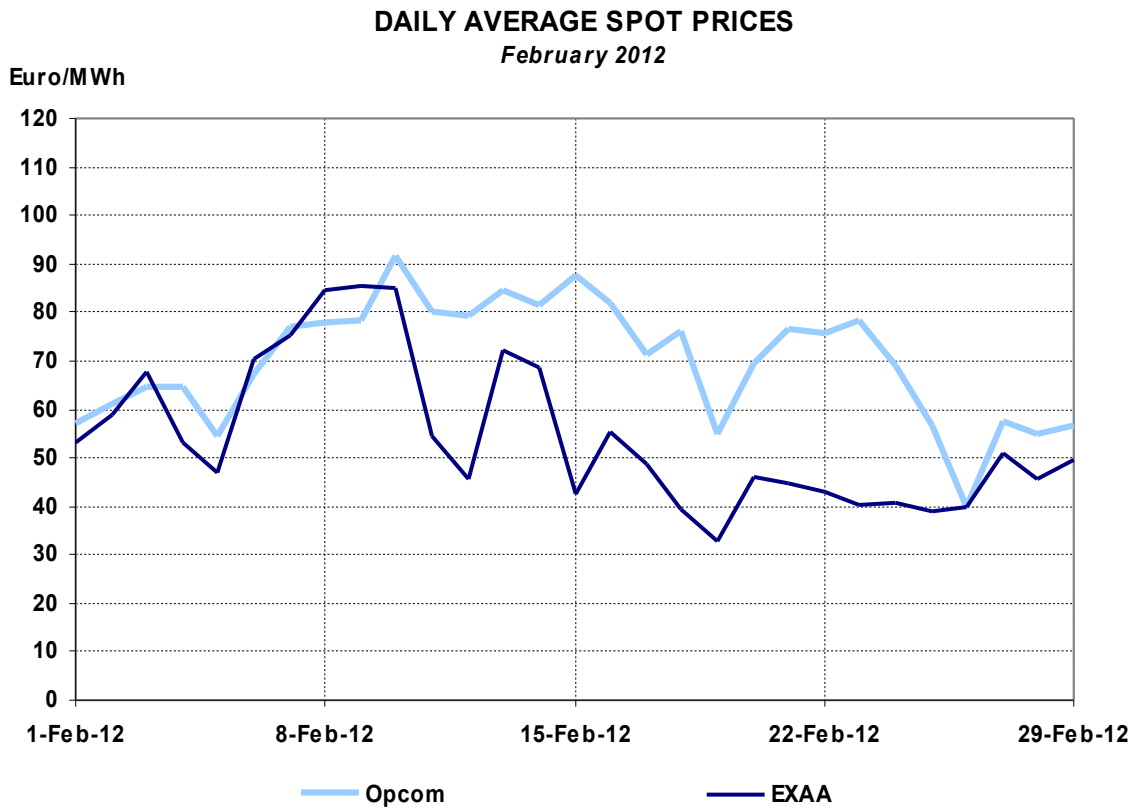
7. Price evolution on wholesale electricity market

SC Opcom SA is the administrator of DAM. The MCP on DAM represents a reference value for the prices on the bilateral contracts. The evolutions of hourly and daily average prices on DAM in February 2012 are presented in the following graphs, along with the prices on EXXA.

For comparison with prices on the European power exchanges, the spot price on SC Opcom SA is denominated in EUR, taking into consideration the daily exchange rates Euro/leu communicated by the National Bank of Romania.

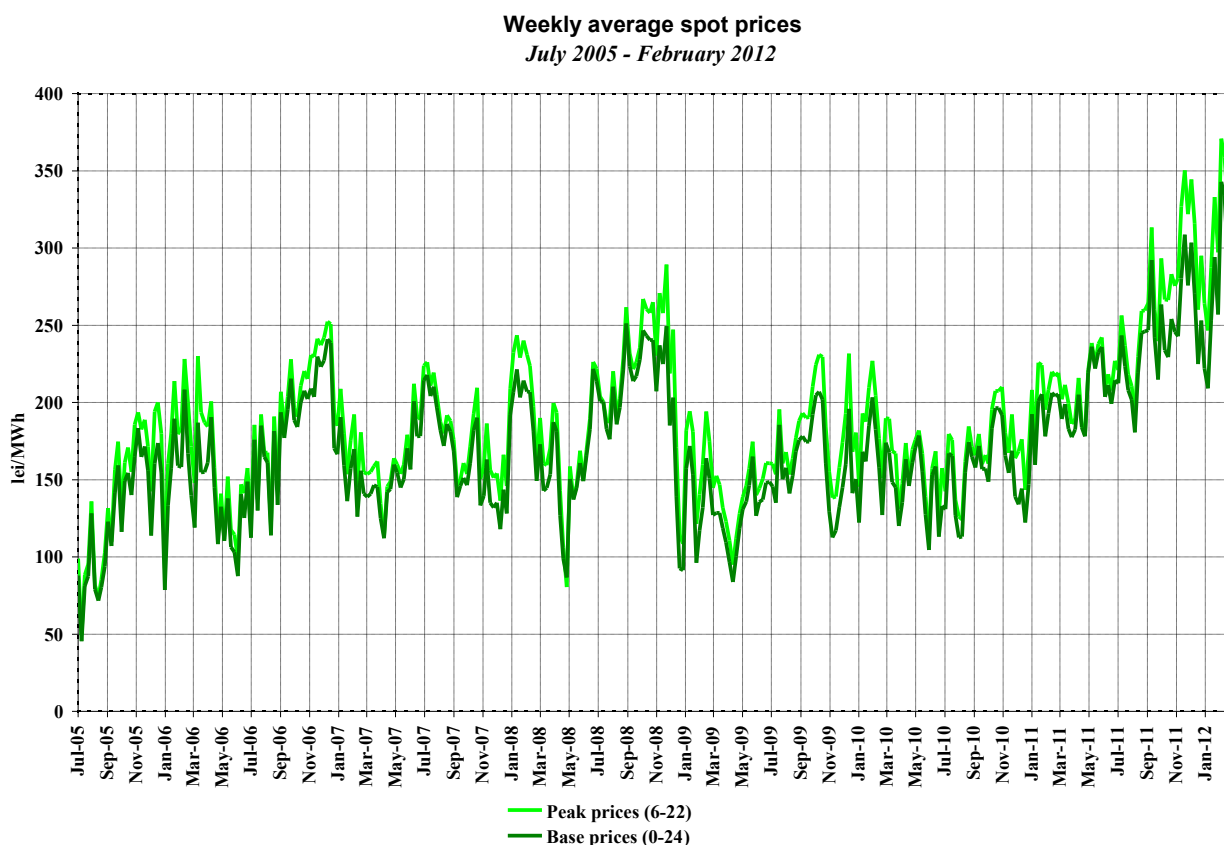


Source: Daily reports of SC Opcom SA and published data of EXAA
– processed by MG



Source: Daily reports of SC Opcom SA and published data of EXAA
– processed by MG

The following graph presents the evolution of weekly average spot prices starting with July 2005:

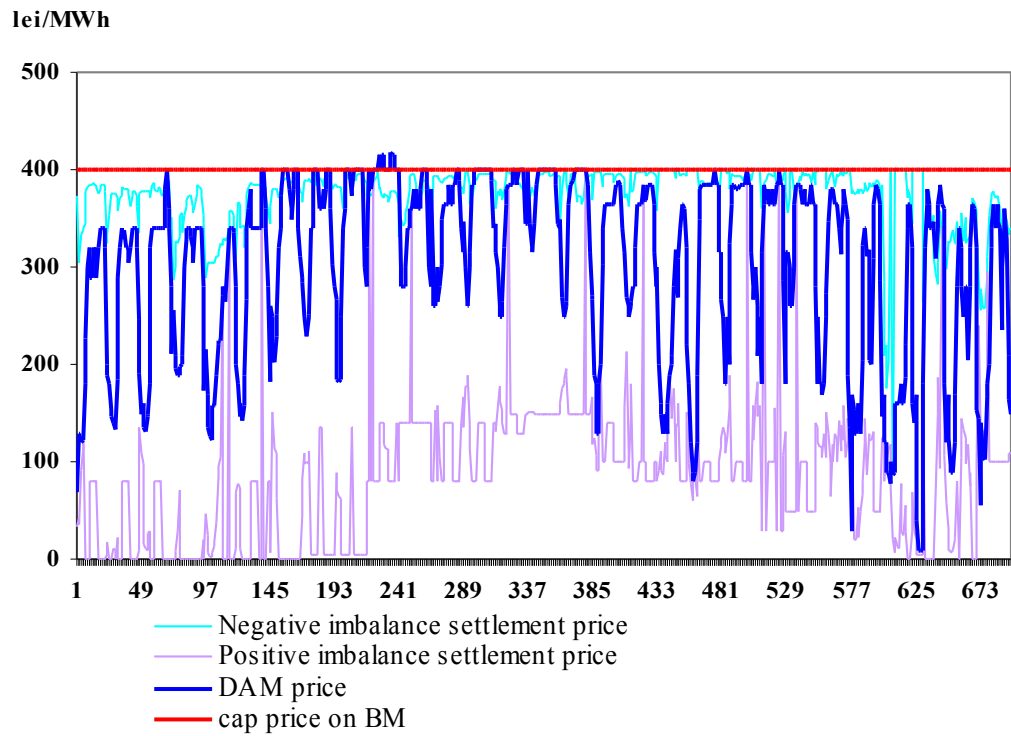


Source: Daily reports of SC Opcom SA – processed by MG

In order to cover the differences between planned/contracted amounts of consumption/generation and the real time consumption, the system operator (CN Transelectrica SA) operates the BM by buying or "selling" electricity at prices determined by the merit order of dispatchable generators' offers. The participants who generate the imbalances, grouped in BRPs, have to bear the imbalances costs. For the negative imbalances, they have to pay the settlement price resulting from the upward bids accepted on the BM, while for the positive imbalances they receive the settlement price resulting from the downward bids accepted on the BM.

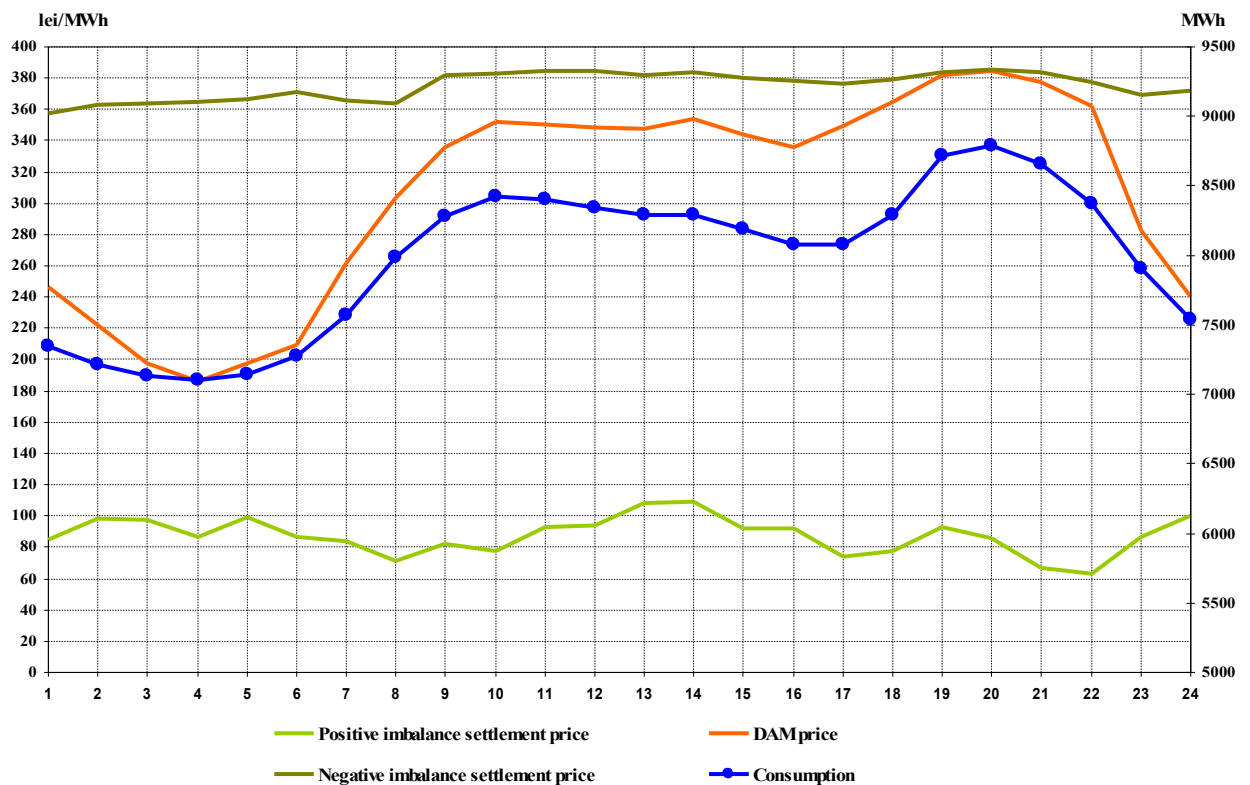
The settlement prices (MCP on DAM, negative imbalance settlement price and positive imbalance settlement price) are represented on the same graph, showing the two markets correlation degree. In the first graph the prices are expressed in hourly values, in the second graph in hourly average values compared to internal consumption, and in the last graph in average monthly values.

Hourly settlement prices February 2012



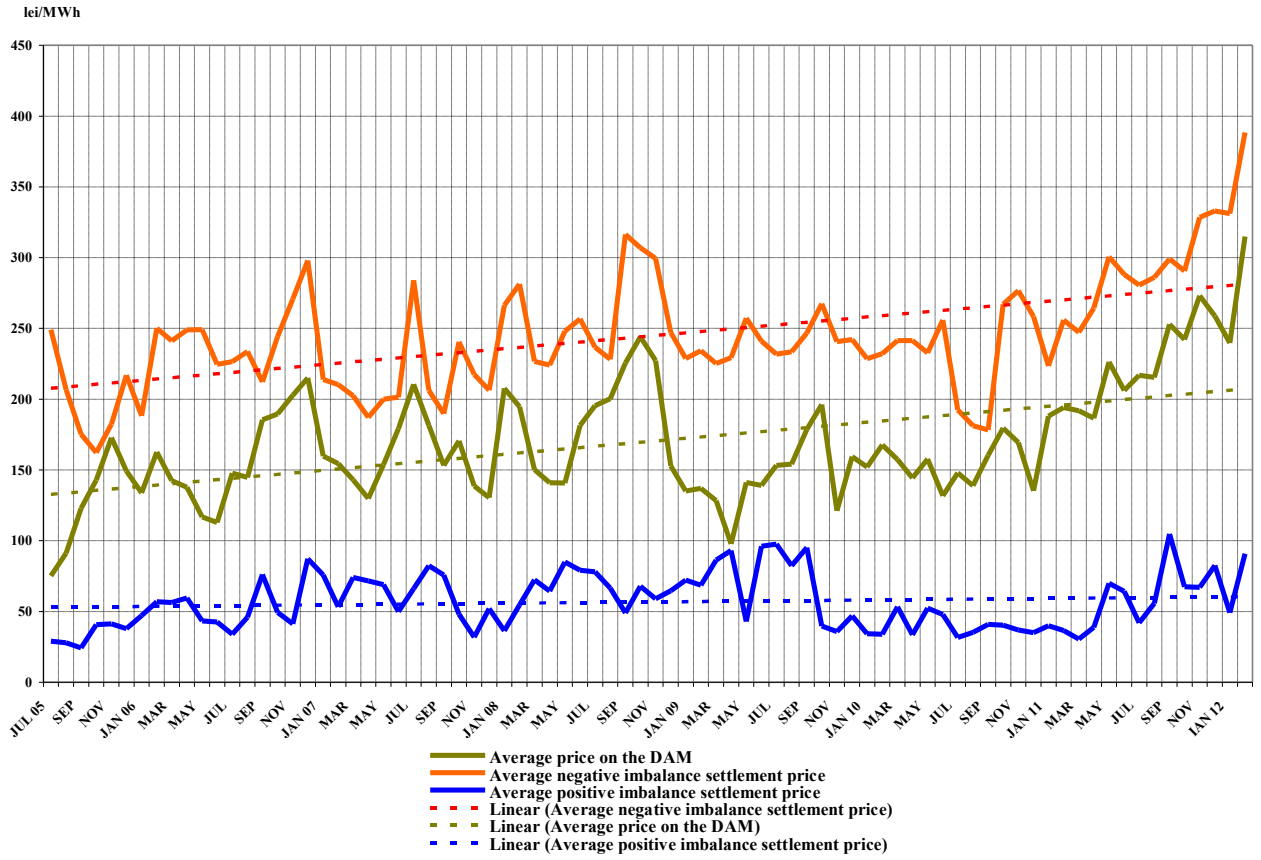
Source: Daily/monthly reports of SC Opcom SA – processed by MG

Hourly average settlement prices and internal consumption February 2011



Source: Monthly reports of SC Opcom SA and CN Transelectrica SA – processed by MG

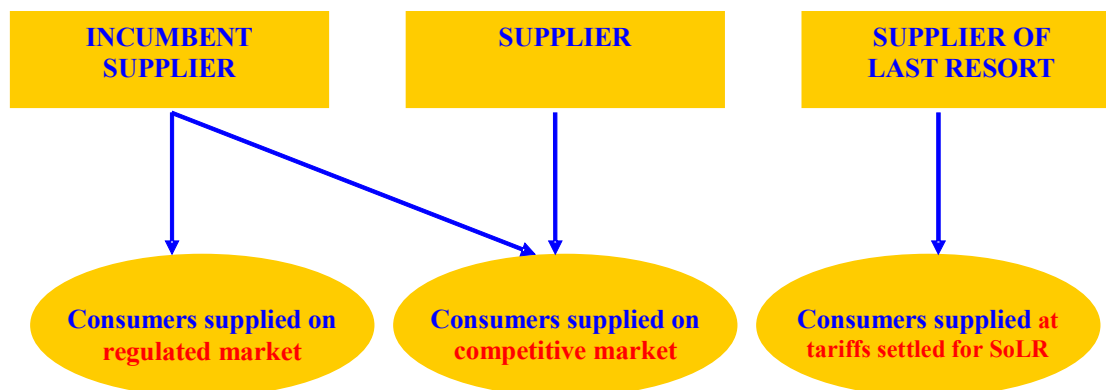
Monthly average prices on DAM and BM
 July 2005 - February 2012



Source: Monthly/daily reports of SC Opcom SA – processed by MG

III. RETAIL ELECTRICITY MARKET

1. Structure of the retail electricity market



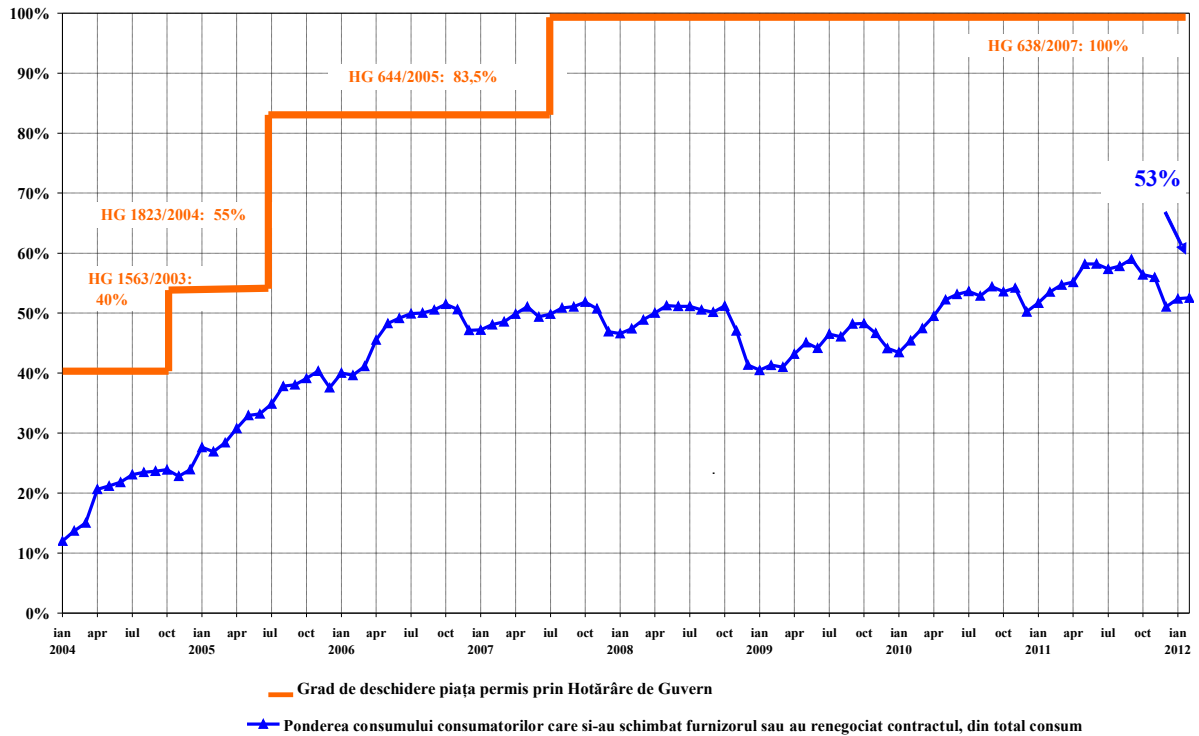
2. Steps in the opening process of the electricity market

Government Decision	Opening degree %	Annual consumption threshold GWh/year
No. 122/2000. published in O.G. 77/21.02.2000	10	100
No. 982/2000. published in O.G. 529/27.10.2000	15	100
No. 1272/2001. published in O.G. 832/21.12.2001	25	40
No. 48/2002. published in O.G. 71/31.01.2002	33	40
No. 1563/2003. published in O.G. 22/12.01.2004	40	20
No. 1823/2004. published in O.G. 1062/16.11.2004	55	1
No. 644/2005. published in O.G. 684/29.07.2005	83.5	-
No. 638/2007. published in O.G. 427/27.06.2007	100	-

3. Electricity market opening degree

The following graph contains the quota of the consumption from total consumption, of the consumers who switched their supplier or renegotiated their contracts with the suppliers operating on the regulated market, during January 2004 – February 2012. The values presented are cumulated from the beginning of the opening process and are presented monthly:

**Evoluția gradului de deschidere a pieței de energie electrică
în perioada Ianuarie 2004 - Februarie 2012**



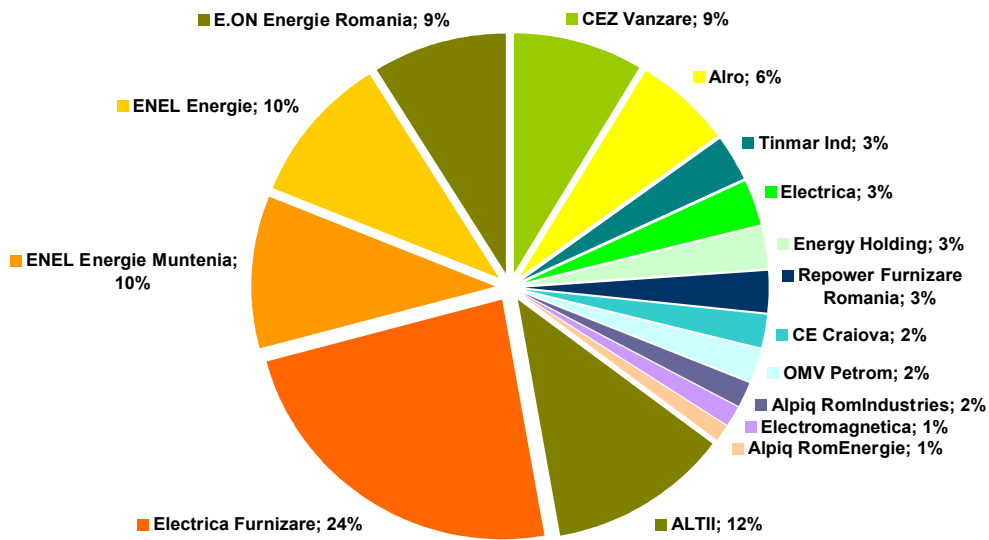
Source: Monthly reports of the final consumers' suppliers – processed by MG

4. Market shares of the electricity suppliers

In the following three graphs there are presented the market shares of electricity suppliers on the retail market, calculated:

- a) for all suppliers (including the incumbents) on REM – based on the electricity supplied to the consumers on regulated tariffs as well as to the consumers who switched their supplier or renegotiated their contract;

Market shares of suppliers for final consumers
- JANUARY - FEBRUARY 2012 -



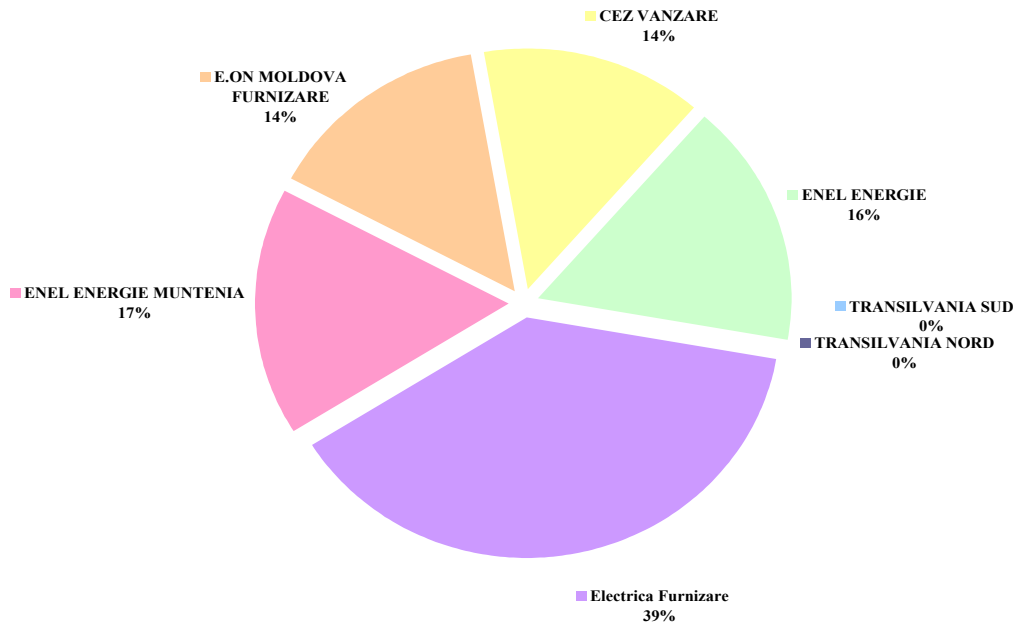
Final consumption: 7827 GWh

Category "Altii" includes 40 suppliers with individual market share less than 1%

Source: Monthly reports of the incumbent suppliers – processed by MG

b) for incumbent suppliers - based on the electricity supplied to the consumers at regulated tariffs,

Market shares of incumbent suppliers on regulated market
- JANUARY - FEBRUARY 2012 -



Consumption of consumers supplied at regulated tariffs: 3721 GWh

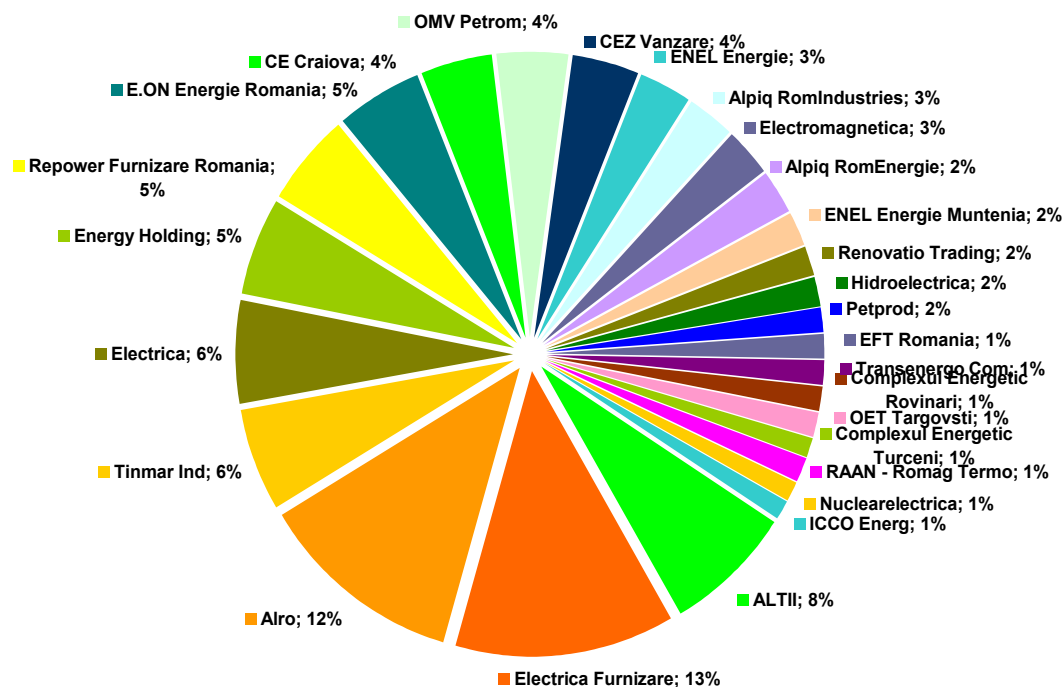
Source: Monthly reports of the incumbent suppliers – processed by MG

and

- c) for all suppliers (including the incumbents) based on the electricity supplied for the consumers at negotiated prices on competitive component of REM:

Market shares of suppliers delivering electricity on the competitive market

- JANUARY - FEBRUARY 2012 -



Consumption on competitive market: 4106 GWh

Structure indicators:

HHI - 566; C3 - 31%; C1 - 13%

Category "Altii" includes 29 suppliers with individual market share less than 1%

Source: Monthly reports of the competitive suppliers – processed by MG

The structure indicators were calculated without considering the principle of dominance. The delivered electricity (used for calculating the market shares) comprises the self-consumption of large industrial consumers who possess supply licenses and acquire electricity from the wholesale market as competitive suppliers.

The values of market indicators were calculated without taking into consideration the dominance principle. The delivered electricity used for determining the market share of each supplier comprises the self-consumption of the largest industrial consumer which owns a supply license and based on it acquired its electricity from the WEM as a competitive supplier.

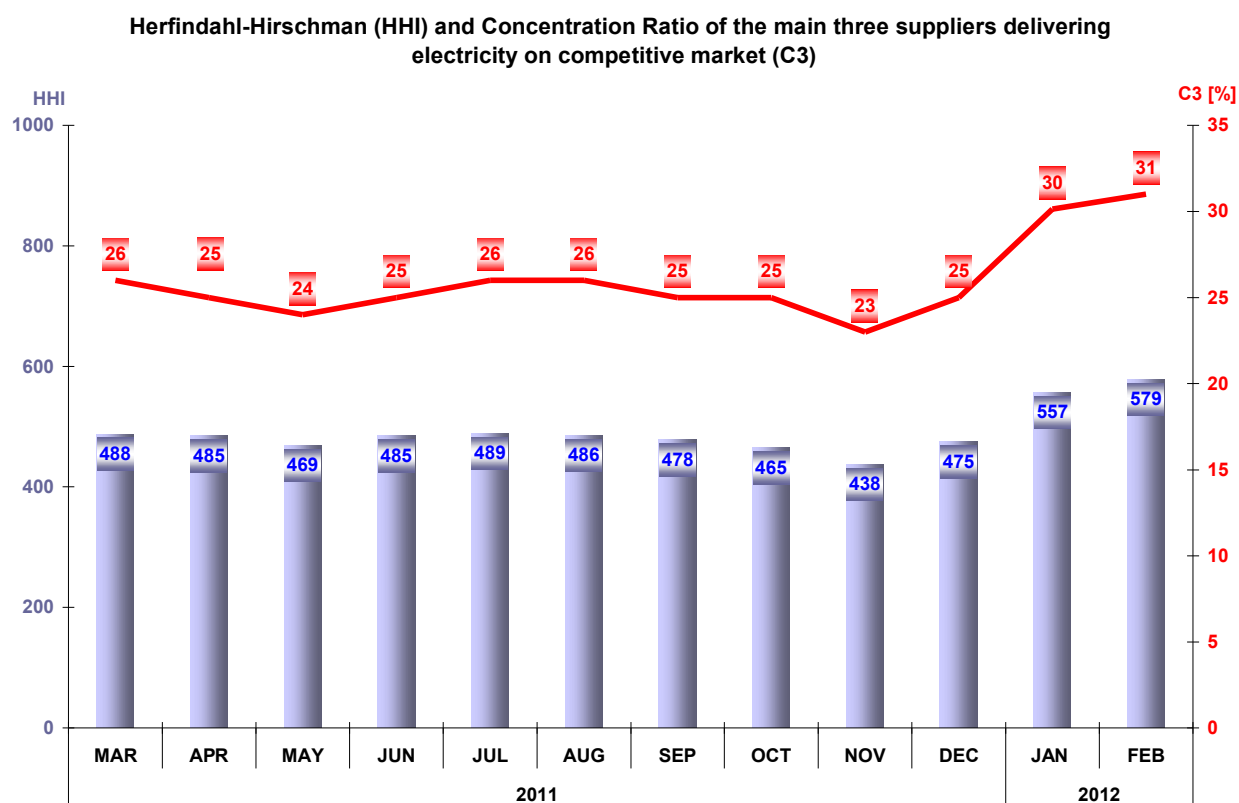
The electricity supplied to the final consumers used for calculating the market share of every supplier includes also the self-consumption of that particular supplier (e.g. consumers with supply license who buy electricity for themselves from WEM as competitive suppliers).

The analysis of the competitive suppliers' activity on the competitive REM component compared to their activity on the WEM is developed based on the weight of the electricity sold to final consumers in total electricity sales. The table below presents the number of suppliers acting on the REM, grouped into categories of sales weight during February 2012:

Number of suppliers	Share of sales to final consumers from total sales transactions			
	100%	75% - 100%	50% - 75%	<50%
Competitive	9	9	5	16
Incumbent	1	3	0	1

5. Concentration indicators of the competitive retail electricity market

The monthly evolution of concentration indicators (C3, HHI) determined on the competitive component of the REM is presented for March 2011 – February 2012 in the following graph:



Source: Monthly reports of the suppliers – processed by MG

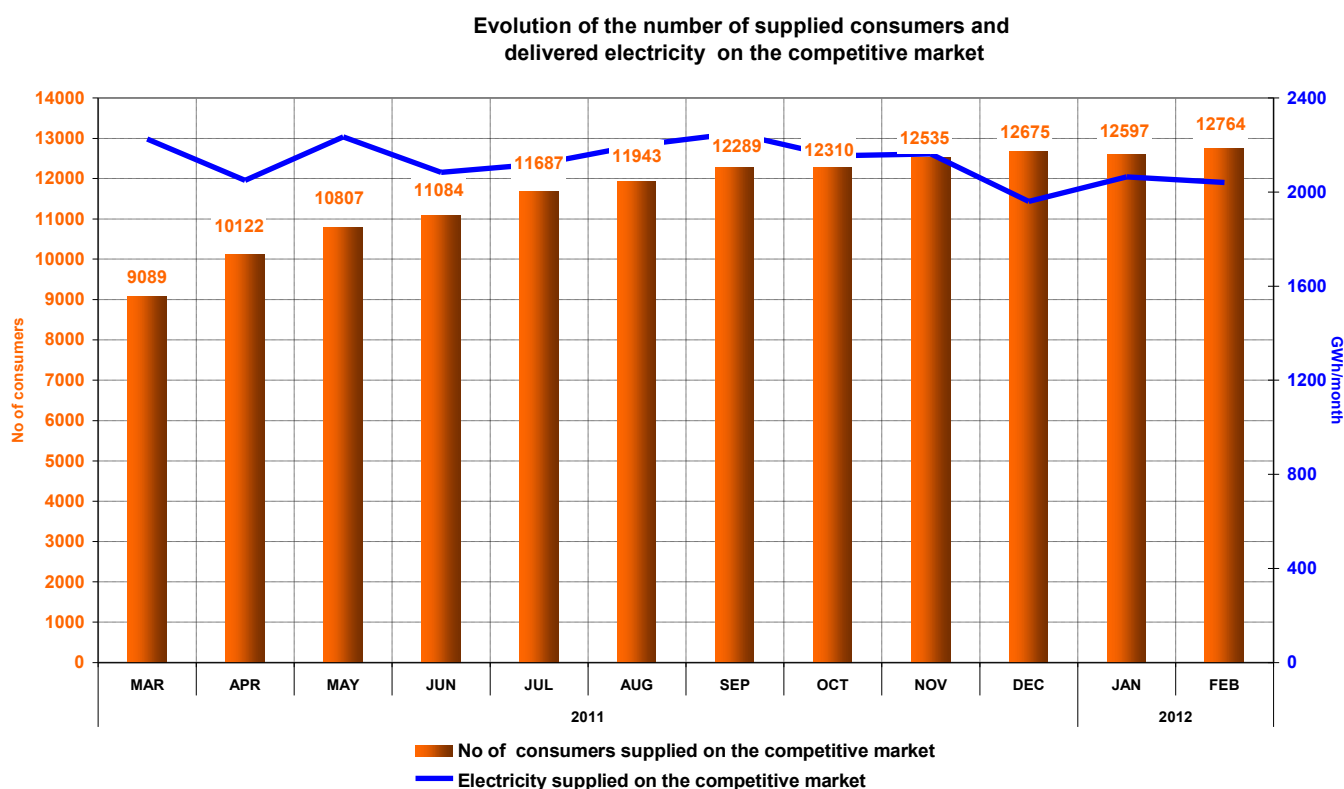
The table below shows the values of structure indicators of competitive component of REM for and the number of active suppliers in February 2012, calculated for each consumer category as defined by the European Council Directive no. 90/377/EEC. modified by the Commission Decision no. 2007/394/EC:

Indicators - February 2012	Consumer category							Total REM
	IA	IB	IC	ID	IE	IF	Other	
C1 - % -	52	27	26	17	11	17	26	14
C3 - % -	75	56	46	38	33	47	46	31
HHI	3098	1384	1109	783	721	1171	1177	579
Consumption - GWh -	4.3	111	179	463	261	154	869	2041
No. of SUPPLIERS	22	42	45	40	23	10	18	54
No. of incumbent suppliers	5	5	5	5	4	3	2	5
No. of competitive suppliers	12	31	33	30	17	7	8	39
No. of producers	5	6	7	5	2	0	8	10

6. Evolution of consumers' number and of electricity delivered

Number of consumers supplied on the competitive market is presented as total value from the beginning of the market opening process; for February 2012 this number is split into categories, according to the provisions of the European Council Directive no. 90/377/EC. with subsequent modifications. The table below presents the bands of consumption of each category of consumers:

Industrial end-user	Annual electricity consumption (MWh)	
	Lowest	Highest
IA		<20
IB	20	<500
IC	500	<2000
ID	2000	<20000
IE	20000	<70000
IF	70000	<=150000
Others	>150000	

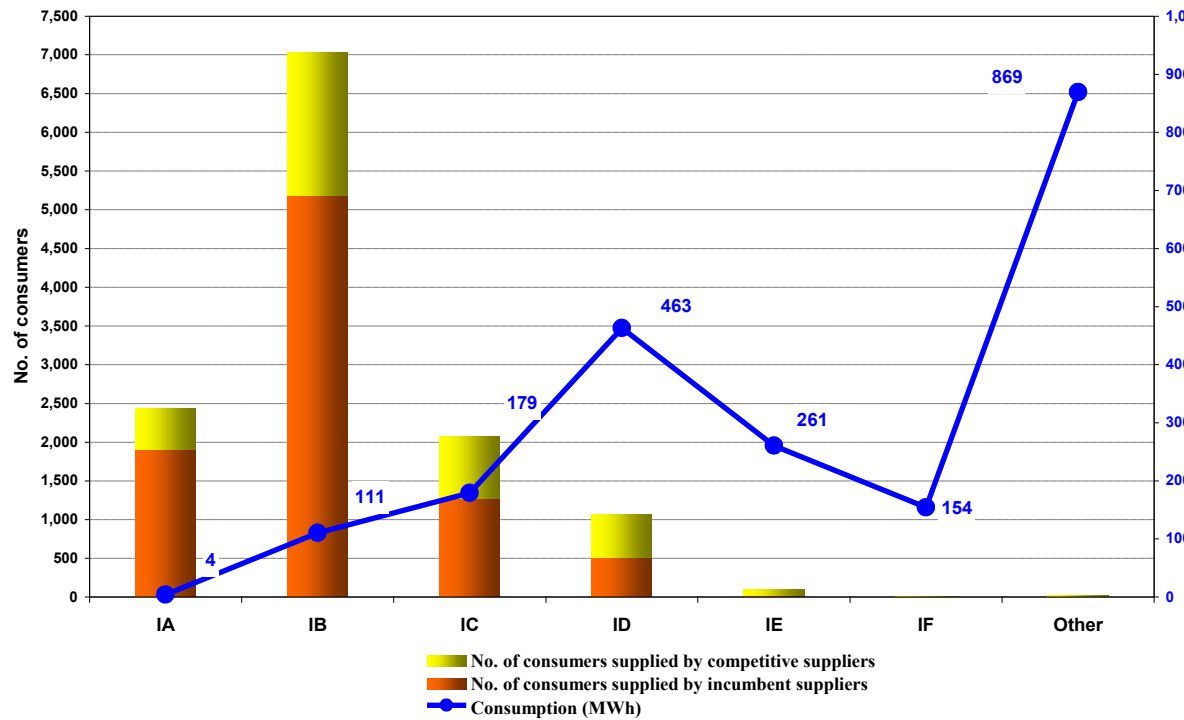


Source: Monthly reports of the competitive suppliers – processed by MG

NOTES: 1. Starting with January 2011, the data are also comprising the electricity delivered by 3 main dispatchable producers (with a self-generation exceeding 200 GWh in 2010) to their own consumption places - others than the generation site

2. There has been identified one supplier which had sent wrong figures corresponding to January-April 2011. Following the MG warnin, they reported the accurate figures, which are visible in the hereabove graph.

Number of consumers supplied on competitive market and the consumption of each category of consumers
- FEBRUARY 2012 -

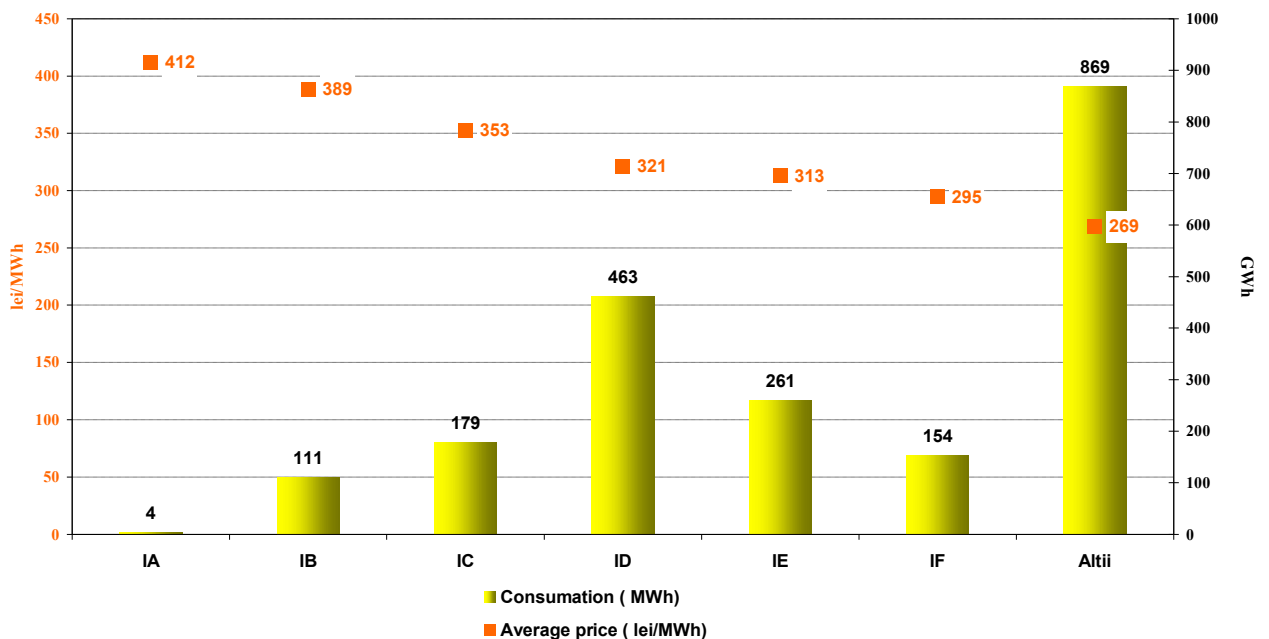


Source: Monthly reports of the suppliers – processed by MG

7. Average selling prices of consumers supplied on the competitive market

The following graph presents the average selling prices of consumers supplied on the competitive market, based on the structure defined according to the European Council Directive no. 90/377/EC. with the subsequent modifications.

Average price and energy consumption on types of consumers applied on competitive market
- FEBRUARY 2012 -



Source: Monthly reports of the competitive suppliers – processed by MG

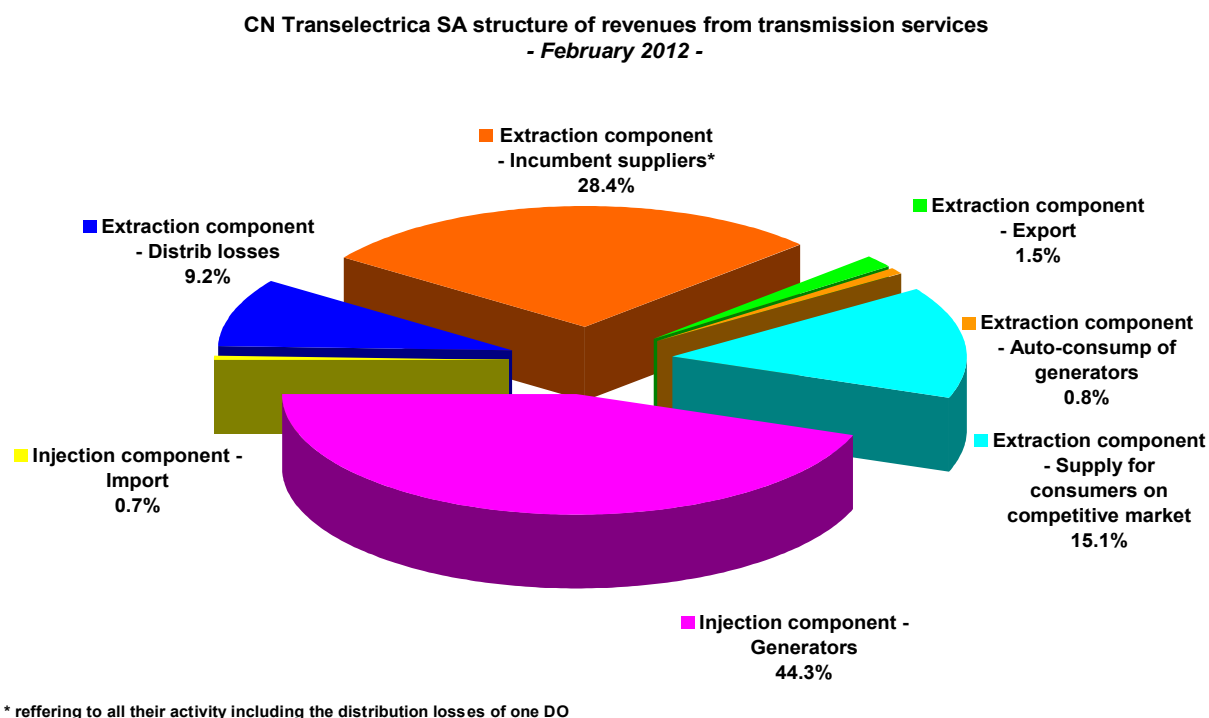
Note: The average selling price on each category was calculated as weighted average of prices applied by suppliers with quantities supplied, according to the provisions of the European Directive. The average prices do not include VAT, excise or other taxes but include the supplied services (injection and extraction components of transmission, system services, distribution, market settlement, imbalances, BRP aggregated taxes, metering). Splitting consumers into categories was based on their annual consumption forecast, according to the provisions of above mentioned Directive.

IV. TRANSMISSION AND SYSTEM OPERATOR C.N. TRANSELECTRICA S.A.

CN Transelectrica SA performs the electricity transmission service at regulated tariffs, which have two components:

- injection component (TG), aimed to determine an optimum geographic positioning of the new power units;
- extraction component (TL), as an incentive for an equilibrate positioning into the territory of the consumers.

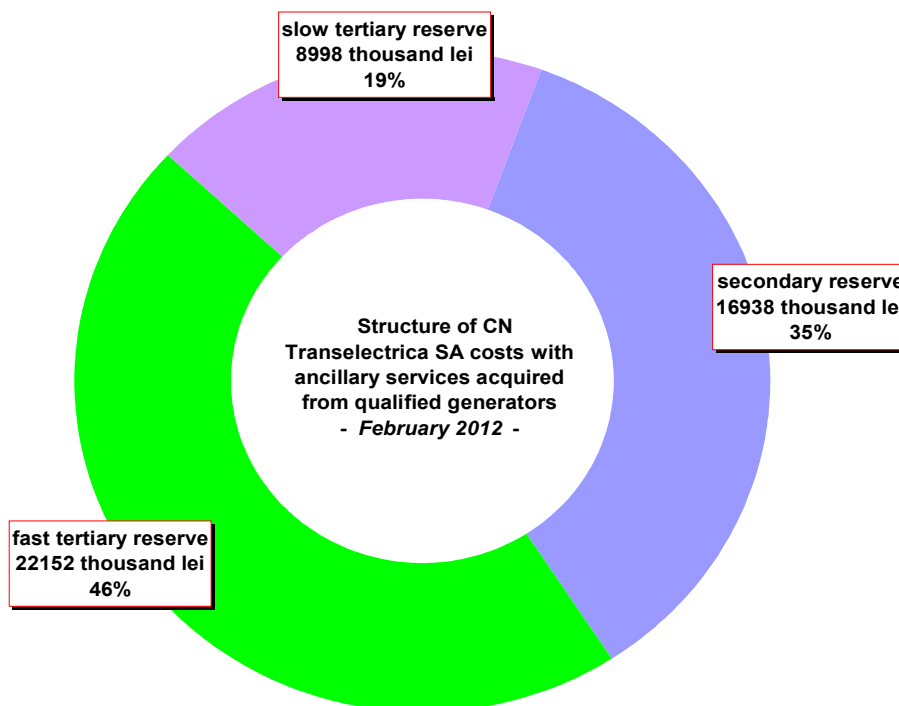
The following graph presents the structure of CN Transelectrica SA revenues from performing the transmission services and reflects the structure of its clients benefiting from this type of service in February 2012.



Source: Monthly reports of CN Transelectrica SA – processed by MG

In order to perform the system operator tasks, CN Transelectrica SA assesses and contracts reserves (ancillary services) from qualified generators, which are integrated on BM. The ancillary services which may be used are reserves for secondary, fast tertiary, slow tertiary regulation and reactive energy. With the implementation of the support scheme for high efficiency cogeneration from April 2011, the slow tertiary reserve from cogeneration has been eliminated.

The following graph presents the costs of ancillary services CN Transelectrica SA had to pay in February 2012. In order to cover these costs and its own operating costs, TSO applies a regulated tariff for system services.



Source: Monthly reports of CN Transelectrica SA – processed by MG

V. EVOLUTION OF MARKET RULES IN FEBRUARY 2012

In February 2012, ANRE issued the following regulations with impact on the wholesale electricity markets:

- Order no. 04/17.02.2012 for updating the trading values-limit of the green certificates and the value of a non-acquired green certificate, applicable for 2012;
- Order no. 05/24.02.2012 for establishing the annual compulsory quota of green certificates for 2011;
- Order no. 06/24.02.2012 for approving the Monitoring Methodology of the system designed for promoting the electricity produced from renewable sources by green certificates;
- Decision no. 404/17.02.2012 for approving the regulated prices for Hidroelectrica;
- Decision no. 464/24.02.2012 for approving the quantities produced in high efficiency cogeneration which benefits from bonus scheme in January 2012;
- Decision no. 501-505, 507, 508, 510-515/28.02.2012 for approving the regulated quantities and prices for electricity and heat of the following dispatchable producers: CET Bacău, CET Arad, Electrocentrale București, CE Craiova, Electrocentrale Deva, CET Govora, Municipiul Iași, Electrocentrale Oradea, RAAN, Electrocentrale Paroșeni, CE Rovinari, Termica Suceava, CE Turceni, Termica Suceava;
- Decision no. 506/28.02.2012 for approving the regulated quantities and prices of Hidroelectrica;
- Decision no. 509/28.02.2012 for approving the regulated quantities and prices of Nuclearelectrica;
- Decision no. 516-518/28.02.2012 for approving the regulated quantities and prices for electricity sold for transmission losses of Electrocentrale Deva, Termoelectrica, Electrocentrale București.

VI. EXPLANATIONS AND ABBREVIATION

1. Explanations

- *Self-consumption of generators* – in the graph regarding the revenues of CN Transelectrica SA. the self-consumption exclusively represents the generators consumption at consumption places other than the generation sites.
- *Internal consumption* represents the electricity covered by the wholesale market participants and calculated as *Delivered electricity + Import – Export*.
- *Consumption of consumers on regulated market* represents the consumption of consumers supplied at regulated tariffs by the incumbent suppliers.
- *Consumption of consumers on competitive market* represents the consumption of consumers supplied at negotiated prices.
- *Fuel consumption* represents the fuel consumed for generating electricity and heat.
- *Electricity delivered into the grid* includes also the own consumption of auto-generators such as RAAN and OMV Petrom together with the electricity sold by the generators through direct lines or consumed by themselves at other consumption sites.
- *Competitive supplier* represents, within the present document, the supplier which is active on the competitive retail market.

2. Abbreviation

- MG – Monitoring Group
- EEX – European Energy Exchange – Leipzig, Germany, www.eex.de
- EXAA – Energy Exchange Austria, www.exaa.at
- DAM – Day Ahead Market
- BM – Balancing Market
- ASM – Ancillary Services Market
- MCP – Market Clearing Price
- BRP – Balancing Responsible Party
- TG/TL – injection / extraction component of the transmission tariff
- CMBC – centralised market of bilateral contracts
- CMBC-CN – centralised market for partially standardised bilateral contracts with continuous negotiation
- NES – National Energy System
- WEM – wholesale electricity market
- REM – retail electricity market
- RCE – Romanian Commodities Exchange